

Algeria	19822	Indonesia	89716	Oran	Or 1
Bahrain	19816	Iran	90210	Philippines	Per 10
Belgium	19795	Israel	90310	Portugal	Per 10
Cyprus	19795	Lebanon	90410	Qatar	Qat 10
Egypt	19795	Jordan	90510	S. Africa	SA 10
Finland	19795	Kuwait	90610	Singapore	SIA 10
France	19795	Lebanon	90710	Spain	Per 10
Germany	19795	Malta	90810	Sweden	SE 10
Greece	19795	Monaco	90910	Turkey	TR 10
Hong Kong	19795	Malta	91010	U.S.A.	US 10
Iceland	19795	Niger	91110	U.S.S.R.	USS 10
India	19795	Norway	91210	U.S.S.R.	USS 10
Japan	19795	Marshall Is.	91310	U.S.S.R.	USS 10
Malta	19795	U.S.A.	91410	U.S.S.R.	USS 10
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FINANCIAL TIMES

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World News
Bhutto seeks to assert authority over army
 Pakistan's Prime Minister Benazir Bhutto is expected this week to assert her authority over the President and the military, which until recently ruled Pakistan, by removing its most senior officer against his and the President's wishes. Page 4

Crash bodies found
 Rescuers have recovered 13 bodies from the wreckage of an aircraft which disappeared last week as it flew a group including US Congressman Mickey Leland to visit an Ethiopian refugee camp. Page 4

Columbia lands
 The US space shuttle Columbia landed safely in the California desert after deploying what is believed to be a powerful spy satellite over the Soviet Union. Page 4

Chinese oil blaze
 Five people were killed and 12 are missing in a massive blaze caused by lightning at an oil depot in China's eastern port of Qingdao, national television news said.

Kohl EC prediction
 Helmut Kohl, the West German Chancellor, believes Hungary could be a member of the EC by the year 2000. Page 2

Peru strike threat
 Peru's 70,000 miners, many earning less than \$2 a week, plan to start an indefinite strike today that threatens to cripple the country's key industry. Page 3

Norway poll pointer
 A poll has indicated that Norway's extreme-right Progress Party could become the country's second largest political party when the election votes on September 11. Page 2

Wales in talks
 Solidarity leader Lech Walesa will meet the leaders of the United Peasants' Party and the Democratic Party, both traditionally pro-Communist, to discuss forming a non-Communist coalition government. Page 2

Belfast protest
 Irish nationalists marched through Belfast in a protest marking the 20th anniversary of the deployment of British troops in Northern Ireland.

Assam violence
 More than 150 people have died in violence involving Bodo tribesmen in India's Assam state over the past four days, officials said. Most of the dead were women and children.

Spain prison protest
 Prison warders in jails across Spain locked themselves up to demand protection after the mother of one of their colleagues was killed by a parcel bomb.

Balloon tragedy
 Thirteen people plummeted 2,000ft to their deaths when a pair of hot air balloons collided over the Australian Outback.

Space shot failure
 European space scientists failed in their third attempt to fire the rocket motor of the ill-fated Hipparcos star-mapping satellite, casting further doubt on the \$370m project.

Four face death
 Four Maldivians were sentenced to death for their part in an unsuccessful attempt last November to overthrow the Maldives Government, officials sources in the capital, Male, said. Page 4

Spectator killed
 A motor rally car crashed into the crowd near the northern Spanish city of Santander, killing one person and injuring four others. The rally was suspended.

Fast food...
 Police in Rome said more than 500 diners had their tables seized in mid-meal during six weeks of raids on open-air restaurants which encroach too far on to the narrow streets of the city.

Business Summary

UK stores group to announce refinancing

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN President P. W. Botha will this morning confront his likely successor, Mr F. W. de Klerk, in the climax to a political dispute which has embarrassed the country's ruling National Party. The Cabinet, chaired by President Botha

OVERSEAS NEWS

Surge in Greek public sector deficit

By a Correspondent in Athens

GREECE'S temporary conservative-communist administration is facing a record surge in the public sector deficit, and a partial reversal of the improvements of recent years in the country's external balances.

Mr Tsakos Tzannetakis, the prime minister, discussed the economy with the leaders of the two governing parties - his right-of-centre New Democracy Party and the communist Alliance - at a meeting on Friday, but no decisions were taken on Bank of Greece proposals to head off the crisis.

This year's public sector bor-

rowing requirement is estimated by the Bank of Greece at Drs 1,900bn (£7.2bn), or 22 per cent of GDP. According to banking sources, the final figure for the 1989 PSBR may be as high Drs 2,500bn - in proportional terms a level virtually without precedent among OECD states.

Meanwhile the visible trade deficit for the first half of the year was up 7 per cent on the corresponding 1988 period at \$4.27bn; and the current-account shortfall was up nearly 12 per cent at \$1.54bn.

The Bank of Greece is studying some specific measures to finance the deficit, including

the issuing of new Treasury bills and bonds with higher interest rates than the present 18.5 per cent.

Greece's total foreign public and publicly-guaranteed debt now stands at \$17.3bn, excluding defence credits, a level which does not as yet give rise to concern, bankers say.

New Democracy blames the economic impasse on the profligacy of the previous Socialist administration, ousted after inconclusive general elections in June.

The right-of-centre party has pledged to prune the public sector if it wins the new elections now scheduled for November 5.

The central bank is also keeping open the possibility of a new foreign loan to meet amortisation payments and keep foreign exchange reserves topped up. Reserves stood at

\$3.58bn at the end of June, compared with \$3.75bn a year earlier.

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EC currency competition suggested

By David Lascles

EUROPEAN central banks should compete to provide a stable currency for the unified European Community market.

This idea is put forward in a study by the Institute of Economic Affairs as an alternative to the EC's long-term aim of monetary union.

Mr Geoffrey Wood, Professor of Economics at the City University, says that EC citizens should be allowed to choose to do their transactions in whichever currency was the most attractive.

"It would be rash to argue that one would quickly be able to pay for a newspaper at a corner news-stand in London with any EC currency," he says. "But the use of more stable currencies for large transactions and for the holding of a stock of 'readily available purchasing power' could quickly become widespread."

Mr Wood points out that competing currencies are already fairly common in the US along the Canadian and Mexican borders. He says governments can increase their revenue from money creation if more people are willing to hold it. Thus countries with an attractive currency would be able to cut taxes or increase government spending.

Whose Europe? Competing visions for 1992. IEA Readings 28, 58 plus 50p p&p from IEA, 2 Lord North St, London SW1P 3LB.

Brussels bereft of Britons

BULGING with Belgians, thronging with Frenchmen, bereft of the British.

The caricature of the European Commission - or to be more precise, the national background of the 10,000 or so Eurocrats who work there - may no longer be appropriate today.

Yet more than 15 years after UK entry into the European Community, the relatively low proportion of British-born civil servants in key posts inside the Brussels executive is still giving cause for concern.

Strictly speaking, of course, Eurocrats are meant to forgo national allegiance and work towards the common European good - but as Ms Sue Binns, deputy head of cabinet to Mr Bruce Millan, the junior British Commissioner, observes: "It is important that there should be a broad mix, roughly in proportion to the relative size of the member states.

"Drawing up proposals in the Commission is inevitably the first stage of a shaking-down process that goes on in an effort to overcome national differences, and the different national viewpoints ought to be properly understood".

The problem for the British lies not at the top. The number

of Commissioners is shared out on a pro rata basis - one for small countries, two for the large - while the so-called directors general (heads of department equivalent to a UK Permanent Secretary), are also appointed more or less along national lines.

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Opinion and Leader

Dusseldorf, October 9-14, 1989

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Opinion poll boosts Norway's far right

By Karen Fossli in Oslo

AN opinion poll has indicated that Norway's far-right Progress Party could establish itself as the country's second largest political party when the nation votes in the general election on September 11.

The poll saw the opposition Conservative Party slide by 1.8 percentage points to just below 20 per cent, its lowest level since 1975. The Progress Party, which has just two seats in the Storting (parliament), could capture around 20 per cent of the vote, according to the poll, giving it 25 seats in the Storting, the best score by the right-wing group since its formation in 1973.

The continuing high level support of the party, led by the charismatic Mr Carl Hagen, threatens to break up the consensus on political and social issues that has marked post-war Norwegian politics.

In her opening campaign speech in the small town of Halden on the Norwegian-Swedish border, Mrs Gro Harlem Brundtland, the Labour Prime Minister, made it clear that the Progress Party was her main opponent.

Launching a political offensive against the party, she accused Mr Hagen of threatening to break up the social "solidarity" enshrined in Norway's welfare system and of undermining social values.

Mr Hagen's first campaign speech was devoted to an attack on the "parasites" of the welfare state.

According to the latest poll, support for the minority Labour Party increased by half a point to 32 per cent in August. Its backing has held up strikingly well in view of the unemployment level, which reached a post-war record this summer.

At the beginning of this month, the number of jobless rose to 92,000, or 4.2 per cent, despite pledges by Labour to keep it below 39,000.

Last week Mrs Brundtland said her government would not resign immediately even if Labour lost the election.

She believes the right-wing opposition parties stand little chance of uniting to form an alternative administration.

Kiszczak seeks Walesa talks

POLISH Prime Minister Gen Czeslaw Kiszczak said at the weekend he wanted talks with Solidarity leader Lech Walesa on the country's political crisis, but still wants a Communist-led "grand coalition" with the opposition as a junior member.

Solidarity plans one-hour strikes this week in three regions, including the coal-producing area of Katowice.

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HEAD COUNT PUTS SUPPORT IN DOUBT

Congress may not back Brazil inflation move

By Tom Daway in Rio de Janeiro

DOUBTS were emerging at the weekend about whether Brazil's latest anti-inflation initiative, launched by congressional leaders less than two weeks ago, can win sufficient support in the two chambers of parliament.

President José Sarney has promised to table legislation enacting a number of the 30-odd measures this week. Among them are plans to privatise 14 state-owned companies, closures of government agencies and the purely symbolic gesture of the sale of ministerial mansions in Brasília.

But some analysts now say a head count of congressmen suggests majority support could be in doubt. Left-wing parties have boycotted the package and many other deputies and senators are away from the capital, raising support for candidates in November's presidential elections.

Critics of the hurriedly announced proposals say the leaders of the two chambers, Senator Nelson Carneiro and Deputy Poco de Andrade, failed to take adequate soundings among their colleagues before announcing the initiative. There is also expected to be considerable opposition in Con-

gress to the sale of profitable state-owned companies, such as Usiminas, a successful subsidiary of the heavily indebted steel-making group, Siderbras. With price rises now at about 30 per cent a month, pressure has been mounting on the government from all quarters to introduce new austerity measures aimed at cutting its budget deficit.

Many fear it will be hard to keep the inflation rate below 50 per cent a month by November 15 elections.

Mr Sarney's close advisers are said to have warned him that, if he does not act now, he may be forced to follow President Raúl Alfonsín of Argentina and hand over power to his successor earlier.

Officially, the new president will be inaugurated on March 15, but there is widespread speculation that this might have to be brought forward to the beginning of January if inflation is out of control.

Those sceptical of any serious action by Congress have noted that while Mr Sarney is offering to sell ministers' mansions, both Sen Carneiro and Dep Andrade have hesitated to give up their grace-and-favour offi-

cial residences.

Peruvian miners' threatened strike may cripple industry

PERU'S 70,000 miners, many earning less than \$2 (£1.25) a week, plan to start an indefinite strike today that threatens to cripple the country's key industry, Reuter reports from Lima.

The miners' strike for better wages is the latest in a wave of labour strife facing President Alan García, already grappling with a leftist guerrilla insurgency that has killed 15,000 people this decade.

Mining is the backbone of the Andean nation's economy. Metals such as copper, lead and zinc account for nearly half of Peru's export earnings, and most large companies are dedicated to mining or have large investments in it.

Two strikes by the 70,000-member Miners' Federation last year started slowly but grew to paralyse the mines, devastating Peru's exports.

The miners' demands are basically the same as last year - wider collective bargaining rights and better wages and benefits - but miners say their economic plight has worsened.

The weekly wage for many miners is less than the price of a kilo of meat. We earn barely enough to subsist," Miners' Federation human rights secretary Vicente Evangelista said.

Officials at mining companies concede that wages are low but say most companies provide free housing, schools and health care for miners in their remote mountain villages.

For the past week, the companies have repeatedly used radio advertisements to exhort workers to ignore the strike.

"Miners, your family needs you. Don't let them stop Peru from working," says one of the messages paid for by the Mining Society, a business group representing most companies.

Many companies have offered generous bonuses for workers who ignore the strike.

Mining executives say they expect the strike to draw mod-

erate support in its first days. But it could spread and if it continues for several weeks it might cripple the industry.

"Our fear is that it could become like last year's strikes. If it drags on, pressure will grow on non-strikers to stop working," said a labour relations manager at one company. "The final impact will depend on how long it lasts."

Mr García's government accepts the miners' list of demands in principle. But the Mining Society rejects it and has gone to court to stop the government putting it into effect.

Strikes are spreading at a time when Peru's battered economy, after showing a modest recovery in June and July, appears to be faltering again.

Doctors, refuse collectors, bank workers and court clerks have all stopped work this month to demand the government step in to bring wages in line with four-digit annual inflation. Other sectors have called strikes for later this month.

"Labour federations threaten to paralyse banks, close schools, stop mining production and paralyse agriculture in the Andes. All these actions only help to speed the collapse of the country's social and economic life," said the conservative newspaper *Expreso* in an editorial on Saturday.

Inflation is accelerating again after Mr García's government managed to cut it in half from nearly 50 per cent a month early in the year.

Exports rose sharply in the first half of the year, but a successful miners' strike could erase the gains.

Real wages have fallen at least 25 per cent this year, local economists say, and workers are getting restless.

As strikes spread, police using tear gas and water cannon have dispersed almost daily marches by workers demanding wage increases in the centre of Lima.

Ford to invest \$300m in retooling Mexican plant

By Richard John in Mexico City

FORD DE MEXICO is to invest \$300m (£190m) over the next six months in a 25 per cent increase of capacity and the retooling of its export-oriented plant in Hermosillo, Sonora.

Its project is one of five recently approved and announced by the Ministry of Commerce and Industry (Secofi).

Ford's capacity is to be raised from 155,000 to 165,000. The plant is being retooled to produce the Mercury Tracer 1991 model, primarily for the US and Canadian markets.

Re-adaptation of the plant will involve it being closed down for about six months but there will be no lay-offs. The existing labour force will take part in the retooling and undergo retraining.

Ford says that the increased output capacity will create 750 jobs directly as well as many others in component plants. A company spokesman, Mr Nicholas V Scheel, said that Ford had invested nearly \$2bn in Mexico over the past eight years. The Hermosillo plant was inaugurated at the end of 1986.

OVERSEAS NEWS

Canada forced to stop looking on the bright side

Even the optimists can see the slowdown lurking in the latest economic figures, writes David Owen

FOR at least seven quarters, Canadian economists have admonished Mr Michael Wilson, Finance Minister, for being too optimistic in his economic forecasts, and have projected that the country's lengthy spell of robust growth - entering its seventh year - was poised to splutter.

Less sanguine observers believe that they could herald a pronounced downturn beginning later this year. "I think that we may now see a recession in the last quarter," says Mr Jeffrey Rubin, senior economist with Wood Gundy, the Toronto investment dealer.

There are several reasons - not least a recognition of the unusual longevity of the present business cycle - to explain why an ostensibly positive set of figures has been greeted so despondently

But there is evidence to suggest that both of these engines are faltering. By May, housing starts had fallen by 15 per cent

vate industry spending 13 per cent more than last year, with a strong increase in investment by the manufacturing

saw a decline in consumer spending, an increase in savings and a build-up of inventories.

Consumer spending rose only 0.4 per cent, with durables such as motor vehicles and parts the most depressed category. Something of a rebound is foreseen for the second quarter as taxpayers spend their annual rebates.

Thereafter, the effects of April's leaked budget will start to be felt. Disposable income will be reduced by higher income taxes, while the sales tax rises will erode purchasing power.

The savings rate increased to 11 per cent - still low by Canadian standards - from 9.9 per cent in the preceding quarter. "We have been arguing that a rebound in the savings rate from last year's 15-year low would be the sign that a downturn was coming," says Mr Rubin.

The increment is at least welcome in the context of Canada's C\$30bn federal budget deficit, however. This has had a "certainly remained cautious" resisting downward market pressures on short-term interest rates.

The US Federal Reserve has recently indicated its concern about the dangers of recession in the US economy over those of inflation, with successive easings in the Fed Funds rate, followed by a decline in the prime rate.

But in Canada, with inflation rising to 5.1 per cent in June, it remains far from certain that the bank's governor will respond similarly.

on an annualised basis from the 1988 total of 223,000.

Business investment has been climbing strongly since 1987 and may now have reached saturation. A recent CanaData survey indicated that construction of industrial plant in the first five months was down a sharp 33 per cent from year-earlier levels, although office construction was up 13 per cent.

Abundant corporate restructuring in response to fundamental structural changes such as those enshrined in the trade deal make this something of a wild card, however. A survey of investment intentions released last week by Statistics Canada shows pri-

sector.

If optimists like Mr Mackness are proved correct in their surmise that the current cycle is not yet spent, further unexpected business investment may have a lot to do with it.

Any downturn in such investment would at least act as a stimulus for Canada's dwindling merchandise trade surplus, owing to the high proportion of machinery and equipment which has to be imported.

The surplus fell to an eight-year low of C\$129m in April.

Faltering exports stemming from deteriorating terms of trade and poor US car sales were also partly responsible. In addition, the first quarter

You need a big wheel for a grand view.

Since camcorders must be compact, conventional units normally use a cylinder with a small radius for playback and recording. But Hitachi remain committed to the grand view. So they put in a big 'wheel' for a richer, more complete picture of the real world.

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Labour federations threaten to paralyse banks, close schools, stop mining production and paralyse agriculture in the Andes. All these actions only help to speed the collapse of the country's social and economic life," said the conservative newspaper *Expreso* in an editorial on Saturday.

Inflation is accelerating again after Mr García's government managed to cut it in half from nearly 50 per cent a month early in the year.

Exports rose sharply in the first half of the year, but a successful miners' strike could erase the gains.

Real wages have fallen at least 25 per cent this year, local economists say, and workers are getting restless.

As strikes spread, police using tear gas and water cannon have dispersed almost daily marches by workers demanding wage increases in the centre of Lima.

Whatever the product, from camcorders to super-

computers, from home appliances to custom-made VLSIs, Hitachi have the same philosophy. This philosophy is based on practical applications of our proprietary technologies so that each feature, major and minor, is designed with every other feature in mind.

The result is in-depth integration, guaranteeing the special quality which is the hallmark of Hitachi.

In 1988 the company almost

doubled sales from \$3,972 to

\$1,718 and in the first quarter of this year they were 15 per cent up on the same period last year.

Among the other projects which have been approved, Celulosa y Papel is to build two plants for producing paper and furniture. Mabe/Leiser, an electrical appliance manufacturer, is investing \$10m in the manufacture of gas cookers destined for the US market.

Presto and Gamble is to

spend \$2m to launch two new

products: disposable nappies

and sanitary napkins.

Secofi says that investments worth \$3.338bn are far

been approved this year,

compared with a total of

\$3.15bn for the whole of 1988.

Hitachi VM-S7200E Super VHS Camcorder

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OVERSEAS NEWS

Bhutto set to assert authority over army

By Christina Lamb in Islamabad

PAKISTAN'S Prime Minister Benazir Bhutto is expected this week to assert her authority over the President and the military, which until recently ruled Pakistan, by removing his most senior official from his and the President's wishes.

Admiral Sirohey, Chairman of Joint Chiefs of Staff Committee (JCSC), took over this position last year after the death of President Zia ul-Haq in a car crash.

The tenure of JCSC is three years which would take Admiral Sirohey up to 1991, but Ms Bhutto is understood to argue that his three years as admiral expires today.

Admiral Sirohey, a hardliner close to General Zia and the present President Ghulam Ishaq, does not wish to leave, and the President is said to have "hit the roof" when Ms Bhutto's Law and Interior Ministers approached him on the subject.

Under the Eighth Amendment which was added to the constitution by Gen Zia in 1985, and which Ms Bhutto's Pakistan Peoples Party (PPP) government are desperate to remove, but do not have the parliamentary majority to do so, the appointment of service chiefs lies with the President. However Ms Bhutto says removal is with the Ministry of Defence, which she heads.

If Admiral Sirohey is removed, the post should in theory go to General Aslam Beg, Chief of Army Staff. However Gen Beg's position, though less senior, is in fact more powerful, having all the corps under his command.

Ms Bhutto feels Gen Beg, whose efforts ensured elections went ahead last November, is on her side, and in fact without his support would not dare remove Gen Sirohey.

She hopes to keep Gen Beg in his present position and kick upstairs Gen Imranullah whom she believes is against her and at present commands Rawalpindi, a crucial corps for anyone who might wish to plan a coup.

By setting this precedent she will have more sway over Gen Beg whose three year term as a five-star general expires next year, though his tenure of Army Chief continues till 1991.

Admiral Sirohey's removal will be the second time Ms Bhutto has stepped in over the army. In May, she removed Gen Hamid Gul from heading the military intelligence (ISI). Close aides say that despite rumblings from the army, she is determined to go ahead.

Gen Massoud Alam Jan, the Lahore Commander who is close to her rival Nawaz Sharif, leader of the opposition Islamic Democratic Alliance, was recently reprimanded by Gen Beg for allegedly working against Ms Bhutto. Even Ms Bhutto's supporter, Gen Kalu, brought in to head ISI, is said to have threatened to resign. In power eight months, Ms Bhutto's government is yet to pass any legislation.

Aoun's offensive brings Lebanon battle to crisis

Whatever the outcome, the latest clash is a likely setback for the general, Lara Marlowe writes

THE events of the past five days have brought the conflict in Lebanon between Syrian troops and Christian Lebanese. General Michel Aoun to its most critical point in five months of artillery battles.

When the latest and heaviest bout of shelling broke out last Thursday, Gen Aoun determined to do to the Syrians what they have attempted to do to him through their naval blockade of Christian ports. Gen Aoun tried to cut the Syrian supply line.

Christian forces under his command concentrated their shelling on the road from Damascus to West Beirut. A Christian point to West Beirut at Khatib has been heavily shelled, and the road across the Bekaa Valley became impassable. Shells fell as far east as Bar Elias, only six miles from the Syrian border. The Syrians were clearly worried.

"The situation is very bad," Brigadier-General Ghazi Karama, who is in charge of Syrian military intelligence in Lebanon, was reported to have told the Syrian cabinet yesterday morning.

The Syrian response to Gen Aoun's new offensive came just a few hours later, when

Gen Hisham Moualla - who led the repression of the fundamentalist uprising in the Syrian town of Hama in 1982 - despatched armoured units against Christian lines on the ridge at Souk el-Gharb, a few miles south-east of Beirut.

It was at Souk el-Gharb that General Aoun became a Lebanese army hero when he pushed back a series of Druze and leftist attacks in 1983.

By late afternoon yesterday, the result of the battle was still uncertain. Whatever the outcome, it is likely to be a setback for Gen Aoun. Even if, as the Christians say, Lebanon's radio station claimed, his forces repelled the Syrian attack, the Syrians made it clear that they had decided to step up their offensive by making the first ground assault in five months of war, despite pressure from the French and American governments.

The Syrians have outnumbered Gen Aoun's forces since the beginning of the conflict and no one believes that his Maronite Christians could long resist a serious attempt to seize part of their territory.

If, as military officials in Damascus said yesterday, the Syrians took the heights overlooking Gen Aoun's headquar-



Gen Aoun: faces setback

ters at Baabda, they will now be able to shell him at close range and might even realise their goal of reaching his underground bunker. Moreover, after waiting to see the reaction of the Christian camp, they can threaten further territorial advances.

For the Syrians, the danger represented by Gen Aoun and his anti-Syrian Lebanese nationalism, and especially by his alliance with Iraq, is more unacceptable than any amount of international opprobrium.

When Mr Francois Scherl,

the Secretary-General of the French Foreign Ministry, left the office of Mr François al-Shara, the Syrian Foreign Minister, yesterday afternoon after three and a half hours of what he termed an "in-depth discussion", the French special envoy was stone-faced and gave no indication of any progress towards a truce.

The Syrian government-controlled media had distorted an earlier appeal from Mr Roland Dumas, the French Foreign Minister, reporting only Mr Al-Shara's response that Gen Aoun was to blame for the latest escalation.

In Damascus, it would be easy for the unwary to be ignorant of Syria's role in the Lebanon conflict. The newspapers refer only to "national Lebanese forces" fighting the "rightist troops of General Aoun". Syrian troops, who operate almost all of the artillery batteries trained on east Beirut, are never mentioned.

Government officials express consternation at the destruction of Beirut. "Aoun is crazy. Aoun must go," one Syrian official said yesterday morning. Gen Aoun's oft-repeated assertion that President Assad of Syria must step down is not taken seriously in Damascus.

The Syrians may be closer to achieving their goal of Gen Aoun's departure than at any point in the five months of battle which started when he tried to assert authority over Muslim areas of Lebanon. The Syrians appear to be counting on the desperation of Christian troops and militia men and the approximately 1m residents of the Christian enclave.

Two choices appear to face the Christians now: to continue enduring daily shellings and casualties in pursuit of a goal, or the departure of all Syrian troops from Lebanon - which they cannot achieve, or negotiations with Syria.

An editorial in yesterday's *Times* repeated Syria's demand for an Israeli withdrawal from Lebanon, an Arab identity for the country and political reform giving more constitutional weight to the Moslem majority. Gen Aoun still refuses to discuss reform and there is as yet no mechanism for the two sides to begin talking.

Gen Aoun, like the Syrians, diplomatic manoeuvres to date, Paris as the traditional friend of Lebanon's Maronite Christians, and Moscow as Syria's most powerful ally, appear to be likely guarantees of any eventual agreement.

draw international attention to the Lebanon problem.

If he can keep fighting for a few more weeks, there is always a chance of international intervention. Gen Aoun has said from the beginning that he wanted United Nations troops deployed throughout Lebanon.

After the terror of this week-end, the question is whether his supporters will continue to back him. Although the Maronite population of West Beirut is largely won over to the cause of the shellings, the Syrians do not need support or reinforcement from the Lebanon people.

The Syrians are betting on Gen Aoun's government caving in under pressure. If the Christians ask for a ceasefire, they will be negotiating from a position of weakness, and will want every international guarantee possible. Their expressed lack of confidence in the Arab League was confirmed when the League renounced peace-making efforts two weeks ago.

In view of French and Soviet diplomatic manoeuvres to date, Paris as the traditional friend of Lebanon's Maronite Christians, and Moscow as Syria's most powerful ally, appear to be likely guarantees of any eventual agreement.

Australian pilots' strike hits flights

By Chris Sherwell in Sydney

After the air traffic controllers and a group of engineers, it is the turn of Australia's domestic pilots to disrupt the travel plans of people struggling to fly round this vast continent.

Their 12-hour "rolling stoppages" over an extraordinary pay claim is grounding flights in key centres for four successive days.

The stoppages are threatening Australia's centralised pay-fixing system and damaging both their own industry and the country's tourism.

Today it is Sydney's turn to suffer a grounding of all domestic flights until mid-afternoon. Yesterday Perth and Cairns were hit. On Saturday it was Brisbane, on Friday Melbourne.

The Pilots' Federation wants increases of almost 30 per cent.

- \$14,000 to \$40,000 (21,000) - at a time when average earnings are \$25,000 and pilots' annual incomes average around \$30,000.

The pilots say they have fallen behind over the past few years of pay restraint.

The Industrial Relations Commission, the body at the centre of Australia's elaborate wage-fixing process, has already ridiculed the claim, having ruled last week that increases in the current financial year could be of the order of 6.5 per cent provided there were significant changes to work practices.

The importance of the pilots' dispute is that, if the airlines grant the demand, other workers in the industry will claim similar increases, thereby blowing apart the wage containment system currently constructed by the Labor Party government and the trade union movement.

Searchers find bodies in Ethiopia air crash

SEARCHERS have found 13 bodies and the wreckage of the aircraft that vanished in south-western Ethiopia last week with US Congressman Mickey Leland and 15 others aboard, the US Embassy in Addis Ababa said yesterday.

Mr James Haley, a spokesman for the embassy, said it was not immediately clear if three people presumed dead were in fact missing. The aircraft vanished on a flight to a refugee camp in south-western Sudan.

An aerial and ground search by US and Ethiopian personnel has been carried out daily. Those on board included Mr Leland, eight other Americans, and three Ethiopian officials.

More US phone workers strike

Another 35,000 telephone workers struck in five US states on Saturday, bringing to 21 the number of states with work stoppages at local phone companies, Reuters reports from New York.

But negotiators for 83,000 telephone operators and service personnel represented by the Communications Workers of America (CWA) were still working to prevent additional strikes in 19 other states. "Our final proposals were rejected by the CWA," said Mr Steve Ford, spokesman for the Illinois-based American Information Technologies Corp which represents telephone companies in five states.

Four Maldivians sentenced to die

Four Maldivians were sentenced to death for their part in an unsuccessful attempt last November to overthrow the Maldives government, official sources in the capital, Male, said. Reuters reports from Colombo.

Twelve Sri Lankan Tamils were also condemned to death and 56 others jailed for 17-38 years. Three Maldivians were given jail sentences of between 11 and 15 years. The condemned have 10 days to appeal.

Officials said that no one had been executed in the Maldives since 1951, but the death sentences were likely this time to be carried out.

Sudan junta starts trials

Sudan's new military junta has put on trial the first senior figure of the civilian government it overthrew. Reuters reports from Khartoum.

Mr Idris al-Banna, deputy chairman of Sudan's five-man collective presidency until the June 30 coup, is accused of enriching himself with aid donated by Libya and Syria.

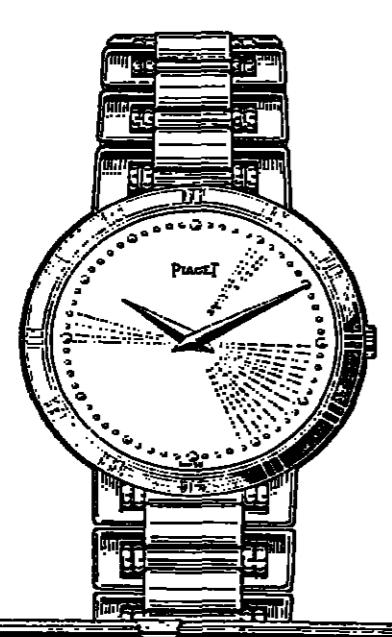
Mr Banna, who belonged to deposed prime minister Sadeq al-Mahdi's Umma Party, was not given a formal chance to speak but could be heard protesting that he had been convicted in advance.

The trial, the former headquarters, was adjourned until next Saturday when Mr Banna will be given a chance to defend himself.

WORLD ECONOMIC INDICATORS**INDUSTRIAL PRODUCTION (1985 = 100)**

	June '88	May '88	Apr '88	June '86	May '87	% change over previous
US	114.0	114.3	114.5	110.0	107.4	+3.6
W. Germany	105.1	106.6	111.7	108.9	102.8	+2.1
Japan	120.6	118.8	118.2	112.4	107.4	+7.3
UK	107.5	106.5	106.5	109.3	109.3	-1.8
Italy	114.9	115.9	115.5	111.4	108.4	+3.1
France	110.4	112.0	102.1	104.4	104.4	+1.7
Netherlands	104.2	105.1	101.4	99.4	99.4	+4.8

Source: except US Exports

PIAGETThe latest "Dancers" and all other models
AVAILABLE DIRECT FROM**The PIAGET salon**14a NEW BOND ST. LONDON W1
01-409 2925**Tunis orders 10% price rises on subsidised foods**

THE TUNISIAN Government has ordered price hikes on subsidised foodstuffs to try to rectify a chronic deficit, AP reports from Tunis.

The Ministry for National Economy said the prices on products such as milk, sugar, oil and semoule would increase from 10 to 15 per cent. The price of a baguette of bread was being raised from 70 to 80 dinars (16 cents).

Bakers around Tunisia held a one-day strike a week ago to protest the stagnation in prices since 1986. Price hikes on certain subsidised products led the "bread riots" of 1983.

S Korea opposition calls an end to co-operation

SOUTH KOREA's top opposition party yesterday declared virtual war against President Roh Tae-woo after the Government accused the party's leadership of implication in a North Korean spy case, AP reports from Seoul.

"The days of co-operation with the Roh regime are over," the Party for Peace and Democracy said. "We have no choice but to fight by all possible means. There should be no dialogue with people who are all out to destroy us."

The opposition statement added: "We have no choice but to fight by all possible means. There should be no dialogue with people who are all out to destroy us."

Suh was charged on Saturday with espionage. Kim Daeg-jung denied involvement.

High Low	Company	Price	Change	to do	% P/E
56.2 25.5	Ass. Brit. Ind. Ordin.	34	+1	10.3	3.0 42
57.1 25	Acme Group Inc.	30	0	10.3	3.0 37
43 25	BBB Design Group (USA)	41	+1	2.1	5.0 10.0
120.5 119	Bardon Group (GB)	202nd	+2	2.7	5.5 10.0
120.5 119	Barclays Bank (GB)	119	+1	2.7	5.5 10.0
122.5 115	Barry Technologies	95	+1	2.2	6.4 10.0
120.5 115	Bearlith Corp. Pow.	105	+1	2.2	6.4 10.0
104 100	Brenthill 81% New C.C.P.	104	0	11.0	10.6 10
202 195	CCIL Group (Germany)	200	+1	14.7	5.1 35
215 190	CDI Corp. (USA)	215	+1	2.7	6.1 12.0
110 109	Carlo 7.5% Prof. (GB)	110	0	12.3	5.4 12.0
7.5 7.5	Magnet GP New-Vestig. A Corp.	6.75	0	12.3	-
3.5 3.5	Magnet GP New-Vestig. B Corp.	3.5	0	12.3	-
120 115	McGraw-Hill (USA)	120	+1	2.2	5.5 10.0

AMERICAN NEWS

Mulford backs Argentine reforms

By Gary Mead in Buenos Aires

MR David Mulford, the US Assistant Treasury Secretary, has given cautious backing to President Carlos Menem's plans to reform Argentina's ailing economy. It is the first indication of US government approval for the five-week-old administration's efforts.

"If Argentina applies the correct measures, opens its economy, makes tax reforms and can privatise, it will be a candidate for support under the Brady initiative," said Mr Mulford yesterday in Buenos Aires. "I am impressed by the speed with which the Menem government is doing things."

The Brady plan, named after Mr Nicholas Brady, US Treasury Secretary, is designed to alleviate the debt burden on middle-income debtors by reducing debts and debt servicing and providing new money. The test case for the initiative is Mexico, which last month came to a preliminary agree-

ment with its bank creditors.

Until this week, Argentina had been ruled out of the scheme by US government officials.

Mr Mulford is also believed

to have indicated US Treasury

readiness to consider extending a credit bridge of perhaps \$500m to Argentina, as part of overall support for the financial support from the International Monetary Fund and other multilateral lending agencies.

However, it is clear that his gesture of support, and in particular the reference to Argentina perhaps becoming a candidate for relief on some part of its \$60bn foreign debt, is still to the results of President Menem's reform programme.

Soon after taking office President Menem announced an economic emergency programme containing many of the elements mentioned by Mr Mulford as being basic requirements for full US Treasury

backing. However, that programme has been considerably watered down by opposition in Argentina's Congress and has yet to be put into practice in any of its elements. President Menem's plans are facing obstacles from within his own Peronist party as well as the opposition Radical party.

According to Mr Domingo Cavallo, Argentina's Finance Minister and a trained economist, the country is \$4.4bn behind in interest payments on its overall foreign debt. At the beginning of June this year, US banking institutions were required to write down Argentina's debt to "value-impaired" status, which means in part that substantial arrears payments ought to be paid before commercial banks can lend any more funds.

Nevertheless, a recent two-week visit by an IMF team indicated at least an improve-
ment with its bank creditors.

menem's plans are facing ob-

Mexico's PRI unveils election law proposals

By Richard Johns in Mexico City

MEXICO'S ruling Institutional Revolutionary Party (the PRI) yesterday announced proposals for electoral reform which are clearly aimed at increasing its share of the seats chosen by proportional representation.

In finally stating its formal position, however, the PRI did not set out to reduce the number of seats allocated by proportional representation - currently 200 out of the 500 in the Chamber of Deputies - as the opposition feared and expected it would.

The PRI is proposing to double the number of senators from 64 to 128, four for each state, with three to be elected by direct majority and one on the basis of proportional representation.

The third proposal is for a strengthening of the powers of the Federal Electoral Tribunal as an independent arbiter. This is in an attempt to eliminate disputes of the kind which ensued after the PRI-rigged general election of last year.

The legislation is scheduled to meet in an extraordinary session on August 29 to debate reforms of the Federal Electoral Law. These have been under discussion during the past six months by a multi-party committee. Any changes have a crucial bearing on the outcome of the mid-term elections in the summer of 1991.

The PRI proposals, if implemented, will involve amendments to at least 11 out of 136 articles of the constitution. But they, in turn, would require approval of a two-thirds majority of the Chamber of Deputies where the PRI has only 260 seats.

Proposals outlined by Mr Luis Donaldo Colosio, national president of the PRI, for strengthening the powers of the Electoral Tribunal do not seem to meet the demand of the opposition that it should be an autonomous body divorced from the PRL.

Mr Hammer, the chairman of Occidental Petroleum, has deeply appreciated Mr Bush's action in clearing his name. "Having spent my lifetime fighting injustice, this vindication reinforces my abiding faith in the American system of justice."

In March 1976 Mr Hammer pleaded guilty to three misdemeanour violations of the cam-

paign financing laws in giving \$34,000 in illegal contributions to the Nixon campaign. He was sentenced to a year's probation and a \$3,000 fine. The judge said he was not sent to prison because of his ill health; he appeared in court in a wheelchair.

Mr Hammer, 91, said he has been seeking a presidential pardon for several years. Some prominent businessmen convicted of making illegal campaign contributions to President Richard Nixon's re-election campaign in 1972.

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Bolivia's political odd couple search for unity

Barbara Durr on the task facing President Paz and his ally, the former military dictator who once imprisoned him



President Paz: on a tight financial leash

inflation through July this year reached only 2.5 per cent and the first quarter's growth was a promising 3 per cent in annual terms.

Uncertainty about where the economy is headed began on May 25 when the National Electoral Court summoned the result of the election three weeks previously. None of the top three candidates had won a majority and there were charges of fraud. Without a conclusive result, the Congress had to choose the President, meaning two of the three main parties had to join forces to win sufficient votes in the legislature.

President Paz, though personally popular, is in a sense the government's principal liability. He is associated in the minds of Bolivians with the disastrous government of Mr Hernan Siles Suazo from 1982 to 1985, when inflation ran to a record 25,000 per cent. Mr Paz was vice-president.

Since 1985, Bolivia, once regarded as South America's perennial basket case, has made a remarkable economic turnaround. Under President Victor Paz Estenssoro, the leader of the centrist party National Revolutionary Movement (MNR), Bolivia halted hyper-inflation and resumed economic growth. The social costs have been high but accu-

sharply until 1978. Among those imprisoned and exiled during his regime was Mr Paz. Mr Paz on the other hand is trying to distance himself from his radical Marxist beginnings, which was the key to his founding of the formerly leftist MIE in 1971.

Gen Banzer appears to be the power behind the throne. He presides over the Government's chief policy making body and his party has nine of the 18 ministries, including Finance, Defence, Foreign Affairs, Mining and Agriculture.

To boost confidence in his government President Paz and his ministers have repeatedly said that they will not change the successful economic programme of the former government. The exact rate for the Boliviano, the local currency, will continue to be set by the free market. Cuts are to remain low and there will be no printing of money to cover growing state spending.

Mr Banzer aims to increase government revenues by gradually raising taxes and prices for basic goods such as petrol as well as trimming the number of public employees and privatising some state companies.

If there is more social spending, as President Paz has promised, it will have to come from health, education and basic development projects supported by multilateral banks.

Bolivia intends to maintain its programme with the International Monetary Fund. It has withdrawn \$120m from banks, one third of the country's total deposits, Mr Banzer said. A substantial proportion of the withdrawals came when Gen Banzer, a former military dictator, announced on August 2 his agreement to enter into an alliance with Mr Paz, shutting out of the presidency Mr Gonzalez Sanchez de Lozada, the MNR's candidate who won the most votes.

An alliance between the MNR and the ADN had been thought logical but Mr Sanchez was regarded as too powerful a political threat.

The pact also served as an abdication of the past for both Gen Banzer and President Paz. Gen Banzer took power in 1971 and ruled

Menem cools speculation over military amnesty

By Gary Mead

PRESIDENT Carlos Menem has sought to dampen speculation that he is about to announce a general pardon for military personnel involved in the so-called "dirty war" of the 1970s.

Tomorrow he will travel to Yapeyu in Corrientes province to attend a ceremony marking the death of General San Mar-

tin, one of Latin America's most revered nineteenth century military figures. President Menem was expected to pardon about 20 senior military officers imprisoned or awaiting trial for responsibility for human rights abuses.

"You want to get a date from me [for the pardon] but you are

not going to get it," President Menem told local journalists on Monday. He thus generated further speculation that, while the amnesty announcement is not imminent, the decision to make it has already been taken.

This rebellion, pacted by two others between April 1987 and January 1988, was staged to press home demands for an amnesty.

Ali Snejdrin is to be allowed home from a relaxed form of military detention in a Buenos Aires barracks he has been since he left a four-day rebellion in December.

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MANAGEMENT

Chambers of commerce in the UK

Opportunity to grasp the training nettle

Hazel Duffy explains how local groups are being put to the test

The heyday for Britain's chambers of commerce was late in the last century. Booming industrial cities all sported chambers where local industrialists and businessmen discussed common topics and generally socialised.

But they declined in importance as business became more centralised, and as the north of England, which was the main core of the movement, lost wealth and population.

Now, a new opportunity presents itself. The Thatcher government wants to devolve responsibility back to local level for things like training, closer liaison between business and schools, and the needs of the community generally. The chambers of commerce, which are independent and local, and have governing bodies elected by members, provide ready-made business groups.

But they are not uniformly equipped to do the job. The Government's impetus has highlighted the weaknesses of many chambers, and the strengths of some.

Thames/Chiltern and Walsall are highly motivated chambers. The first is relatively young, and based in the south of England. The second has been going for a century, but has shown itself able to adapt to the changes in industry in the West Midlands.

Jim Henderson, the training manager of John Crane (part of the TI group), feels that the main benefit to him of Thames/Chiltern is its training school.

The Slough-based chamber is the managing agent for government schemes which train young people and adults. It runs engineering apprenticeship courses, and specialist courses, like that for fork-lift truck drivers, which most companies cannot justify setting up on their own.

The area covered by this chamber is part of the highly prosperous M4 corridor. Prosperity brings its costs. Labour shortages were common even in the recession. Today, they are severe.

Recruitment and training

are big issues among employers. The chamber provides a forum for discussing the issues which occupy the minds of local training managers of both big and small companies.

Roddy Symes, who runs the family-owned Metal Colours electro-plating company, first became involved in the Thames/Chiltern chamber because he wanted "to do something for charity," and has achieved this through an organisation which puts something into the community.

President of the chamber a few years ago, he has never contemplated joining the Confederation of British Industry. "It is a pressure group; it does not help smaller companies."

Now, rather to his surprise, he finds himself getting something out of the chamber. "It is an open window on the world." For instance, he agreed to take part in a government/industry scheme where a civil servant from the Department of Trade and Industry sits in on board meetings as a guest. Both sides learn about business, and about Whitehall.

The chamber is currently setting up a scheme to keep subscribers better informed on business in the European Community, which Symes thinks will be very helpful. He wants to know whom public sector contractors are coming up in other countries, so that he can target for business.

Chambers have tended to be used most by smaller companies as a source of information and providers of services. One of the most successful services has been a facsimile line in the chamber offices for companies which do not want to invest in a private fax.

The Government has encouraged chambers to organise export missions; last year the Department of Trade and Industry decided to channel its export advisory services to companies through chambers.

But the big catch for chambers would have been the new employer-led Training and Enterprise Councils. "Everything that the TEC will be involved with, we are involved with on a daily basis," says

Leslie Robinson, the director of Thames/Chiltern.

Norman Fowler, Employment Secretary, decided that business people, as individuals, must be in a two-thirds majority on the councils. However, while some chambers undoubtedly have the professionalism to form a TEC, many do not. This situation puts a brake on the ambitions of the best.

Robinson was instrumental in putting together the group which bid, successfully, to be nominated as the TEC for the Thames Valley area.

In another part of the UK, the Walsall chamber, which already plays a vital training role, also applied to be nominated as the TEC for its area.

The engineering industry has boomed in the past couple of years in this area north of Birmingham. This time, it is the smaller companies which have mostly benefited. The big companies closed down or moved elsewhere in the recession of the early 1980s. Their training schools went with them.

The chamber can help by providing names of the publishers of sports goods magazines in West Germany. He also looks to the chamber to play a lead on local issues, and likes the contact with other business people it provides.

Also in Walsall, Brian Lowe runs another family company, Lobro Tools, precision toolmakers. "They are a very helpful and co-operative bunch at the chamber. They know what they are doing," he says.

Lowe employs 25 people. He is hardly flush with time to research the Government's grants mechanism for industry. The chamber provided him with the information.

Both Walsall businessmen have done stints for their trade associations which they think are necessary to represent their interests on issues affecting the sector, but cannot take the place of a good chamber of commerce on local concerns.

Walsall campaigned hard, for instance, when the Government decided to re-open discussion on the route of the orbital relief motorway proposed to relieve congestion on part of the M6. The new road is vital for the area's industrial survival; delay would have been disastrous. The campaign succeeded. The Department of Transport agreed that the chosen route should stay.

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CONSTRUCTION CONTRACTS

Perry Barr shopping centre

Joint developers Ladbroke City & County, and Lynton, have awarded R.M. DOUGLAS a £24m contract for construction of the "One Stop" shopping centre on the A34 at Perry Barr, Birmingham. Work on the project has started and is due for completion in July next year.

The 350,000 sq ft development on a 25-acre site will comprise 40 shops, stores and retail

warehouses arranged in a U-shape around a central parking area for 1,400 vehicles. Access from the A34 is a perimeter road serving both the car park and service yards.

Construction will be of structural steel founded on concrete piles and vibro-compacted foundations - clad with colour-coated composite panels. A glazed walkway will give access from the car park to the

central shopping mall which will also have a glazed roof. The whole development will be set off by distinctive lighting and decor.

There will be a strong emphasis throughout on ease of access. Shoppers using public transport, for example, will be carried by travelator from the local bus station to the central mall with its range of familiar high street stores.

Warehouses at Leeds

HIGGS AND HILL NORTHERN is working on a £3.5m contract awarded by Norquest (UK) to build 30 warehouses at the Norquest Industrial Park, Birstall, on the outskirts of Leeds.

The development will provide 200,000 sq ft of industrial warehousing on an 18 acre site, close to Junction 27 of the M62.

The six buildings in the scheme have floor areas varying in size from 5,000 to 48,000 sq ft. The units are of steel-framed construction with profiled metal cladding and are set in a landscaped area, complete with roads and street lighting as well as additional parking.

IN BRIEF...

Greyhound stadium into offices

The 250m redevelopment of Derby's Greyhound Stadium into office space will be handled by HALL & TAWSE GROUP, construction division of Raine Industries. The project is said to represent the first major investment of its kind in Derbyshire for 15 years. Raine Industries' subsidiary, J F Miller & Co has joined with Heights of Abraham (Matlock Bath) to form Derby City Properties to manage the project.

** * * *
TILBURY GROUP has been awarded contracts worth over £23m. Civil engineering projects account for over £22m and include four contracts worth £5.2m for water authorities. Building contracts are worth almost £5m. They include a contract in excess of £1.7m for Diquegate at Racecourse Retail Park, Aintree, Liverpool, involving construction of 40,000 sq ft of retail space. Another project worth

about £2.8m was awarded by Ship Canal Land for five-storey offices at Salford Quays, Manchester. Westgate has orders worth almost £5m. These include a basement excavation and piling contract on the Isle of Dogs worth £750,000 for COR DOR, United Kingdom Construction and Engineering Co has contracts worth almost £4.6m. A pipework fabrication and erection contract (11,300 metres) together with equipment installation (300 tons), was awarded for Ceresstar at the Manchester refinery. Whittle Storefitters has contracts worth over £4m. Projects include a contract at about £158,000 for the British Museum's Museum of Man-

kind.

** * * *
TAYLOW WOODROW CONSTRUCTION has three contracts in London. At Whittington Avenue in the City a £11.8m eight-storey office building will provide 72,500 sq ft. The second contract, worth £12.4m, is to develop a site in Charing Cross for the Metropolitan Police Office. A £7.65m contract has been awarded by the London Docklands Development Corporation to Taylor Woodrow for the final phase of the Canary Wharf, Eastern

parallel, one half mirroring the other, with two tower cranes and duplicate girders.

A feature of the building is the cladding of polished red granite panels. Work on the cladding will start as soon as the third floor structure is complete.

To speed things further, the building is designed so that windows may be put in before the stone cladding starts, and work on the interior can be undertaken at an early stage.

Access road, Work on the 325 metre four lane section, linking a roundabout to the west of the Prestons Road with the south side of the entrance to the Blackwall Basin, is expected to start this month with completion scheduled for September 1990. The scheme includes a 21.5m lifting single-leaf bascule bridge, 7 metres above water level, across the entrance to the Blackwall Basin. Tenders for the bridge construction are due to be returned in mid-August. The successful tenderer will be sub-contracted to Taylor Woodrow. On the north side, the road includes a 90 metre elevated approach to the bridge on a reinforced earth embankment.

** * * *
SIR ROBERT MCALPINE & SONS has been awarded a £12.5m order by Standard Life Assurance Company to build an office block with basement and sub-basement at Cutlers Gardens, Middlesex Street in the City of London. On a 900 sq metre site, the "L" shaped building, with a floor area of 7268 sq metres, will be part eight and part five-storey. Excavations will be to 8 metres below the road level. Construction will be of reinforced concrete frame and floors, with an

external finish of brick and Portland stone. Work is due to start for completion in May 1991, and includes car parking in the sub-basement and installation of three lifts and air conditioning. External work includes landscaping in the central courtyard.

** * * *
TRY CONSTRUCTION has been awarded an £11m contract to build the Buckingham Hotel in West London. The nine-storey building will be constructed behind a retained facade on the Cromwell Road. There will be 157 rooms, comprising single and double bedrooms with bathrooms and 19 luxury suites, to Holiday Inn's specification.

APPOINTMENTS

Crown Estate Commissioner

■ Mr Christopher Howes has been appointed Second Commissioner of the CROWN ESTATE. He becomes chief executive, deputy chairman, and chief accounting officer. He was under secretary and director of the land and property division, Department of the Environment, and takes up his new post in early September. The Crown Estate is one of the UK's largest landowners, with a property portfolio valued at £2.1bn.

■ CONSOLIDATED GOLD FIELDS has appointed to the board Mr Anthony Alexander, Mr Anthony Cotton and Mr Peter Turner as representatives of Hanson.

■ MIM, fund management subsidiary of Britannia Arrow Holdings, has appointed the following executive directors: Mrs Sarah Bates, Mr James D. Ross, Mr Simon C.G. Stevens, Mr Philip R. Kurnmann, Mrs Alison M. Powell, Mr Peter S. Dawson, Mr Keith E. Hewett, Mr Raka K. Patel, and Mr Ian J.R. Robinson.

■ PYRAMID TECHNOLOGY CORP has appointed Mr Matthew Wallis as managing director of its UK subsidiary. He was deputy managing director.

■ Mr Kenneth A. Webster has joined the board of CAPITAL VALUE BROKERS as a non-executive director. He was deputy chief executive of Yorkshire Bank finance and leasing companies.

■ Mr J.D.D. Ogilvy, chief executive of Foreign and Colonial Management, has been appointed to the board of the parent company THE FOREIGN AND COLONIAL INVESTMENT TRUST.

■ Mr Tim Kimber has been appointed to the board of MARTIN CURRIE PACIFIC TRUST. He is a non-executive director of Lazard Brothers, and other directorships include Japan Ventures, Noble and Co., and New Zealand Investment Trust.

■ Mr Douglas Calder has been appointed executive chairman of GUINNESS FLIGHT AND CALDER S.A.R.L., Guernsey. Mr Keith Turberville has been appointed managing director, and Mr Bruce Riley and Mr Howard Flight have become joint deputy chairmen. Mr Calder is an international lawyer, and was senior partner

of Maples and Calder, a Cayman Islands law firm.

■ WARRINGTONS has appointed Mr David Acland as group financial controller. He joins from Crossley and Davis, and has prime responsibility for the financial affairs of the Chester Business Park, and the housing and joinery divisions.

■ Sir Kenneth Couzens has been appointed a non-executive director of CREDIT LYONNAISE CAPITAL MARKETS. He is chairman of Coal Products and was deputy chairman of British Coal from 1985 to 1988.

■ Mr John D.A. Zarne has been appointed to the board of HALMA machinery and services division. He is managing director of subsidiary Kerr Ultrasonics.

■ PYRAMID TECHNOLOGY CORP has appointed Mr Nick Letchett as group financial controller. He was a senior audit manager with Arthur Andersen.

■ MECCA LEISURE GROUP has appointed Mr Nick Letchett as group financial controller.

■ ROCKWOOD HOLDINGS has appointed Mr Jeremy Furber as director - human resources and communications. He was managing director of Bond's Delivery Service, part of the group.

Mr Adrian Johnson (above) has been appointed director of ELEMETA, a curtain walling company, part of Conder Group, has appointed Mr Stephen J. Field as construction director. He joins from Lesser Design & Build.

■ Mr Tim Kimber has been appointed to the board of MARTIN CURRIE PACIFIC TRUST. He is a non-executive director of Lazard Brothers, and other directorships include Japan Ventures, Noble and Co., and New Zealand Investment Trust.

■ Mr Douglas Calder has been appointed executive chairman of GUINNESS FLIGHT AND CALDER S.A.R.L., Guernsey. Mr Keith Turberville has been appointed managing director, and Mr Bruce Riley and Mr Howard Flight have become joint deputy chairmen. Mr Calder is an international lawyer, and was senior partner

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ARCHITECTURE

Some questions Mr Patten should ask

Colin Amery proffers his advice to the new Environment Minister

When the Prime Minister decided to have her reshuffle and unbungle the cabinet before the summer holidays, her plan was not to leave her ministers in a state of limbo on the beach. Now that they all know what their new responsibilities are they can spend their vacations planning future policies for their departments. It may be helpful for Mr Chris Patten to start planning the agenda for the Department of the Environment while he is slowly turning green on some sunny unpolished strand.

Faced for the first time with the multifarious and diverse responsibilities of the mammoth Heathrow ministry, there is one question that is worth pondering. Mr Patten might usefully ask himself: Who designs the environment? If he was to tour the kingdom looking out of the windows of a train he must, like the Prince of Wales, want to know how things can be improved.

There is a very strong case indeed for a total revision of the planning system. The decision to call a halt for the moment on the proposed abolition of County Structure Plans indicates a welcome willingness to think again. But it must be a very profound rethink, starting from a review of who exactly it is who designs our surroundings.

Take the case of an average office block. They are largely designed by state agents, pension fund managers and developers. There is always a terrible moment when all parties concerned with a commercial development sit around a table or a flip chart and decide whether

or not a particular project will "stack-up." Now, "stacking up" is not an architectural term. It is purely a developers' shorthand that will decide whether or not something is going to work financially.

Of course everything must make economic sense but where does the design element come into the "stacking-up" equation? It is always very low on the agenda and is seldom very well understood. There will probably be an architect at the developers' meeting, but his role will be so circumscribed that his activity will largely be confined to producing something that is familiar and easy to build.

Once everyone is happy about the economics, the "design" is then vetted by a group of more or less democratically elected laymen. These planning committees are usually very unaware of the visual consequences of their decisions. Although official circulars technically discourage these planning committees from making aesthetic decisions it is, in practice, hard to stop them airing their prejudices and exercising delaying tactics.

The vision of Britain that we see is never just the result of architects' activities. More often than not the compromised mediocrities that pass for new buildings are the product of a fatal combination of market forces and ignorant lay committees. Mr Patten could suggest that planning committees get a little architectural education. It is perfectly possible to learn visual awareness and to understand the difference between good and bad design.

But it takes some effort - like learning the difference between good and bad wine, or understanding how to appreciate music or pictures.

In the absence of trained discriminators there is always a temptation to impose rules, codes and safeguards. Mr Patten should consider the idea of basic principles that emphasise the simple truth that there are objective standards of quality when it comes to design. This is not a call for uniformity or for the kind of rules that were once applied in Tunisia, when every building was, by presidential decree, painted white and blue. The right sort of careful rules that recognise the intrinsic local qualities of a place can be prepared. They have to be local, subtle and easily understood. If the rules are national, arbitrary and comprehensive, they will not work.

Mr Patten will note, I hope, the apparently cavalier attitude of his predecessor towards building in the countryside. This island is very small and densely populated. Mr Nicholas Ridley took a perverse pleasure in pointing out the minute percentage of the land mass that was actually built up until someone wanted to spoil his own Gloucestershire view.

The whole country is everyone's backyard. It is small, tightly planned, and precious. The spread of the idea of the new village is one that deserves careful encouragement, but there is little point in villages as the new suburbs. There will be a growing need for small scale workplaces close to houses and for community facilities that are local

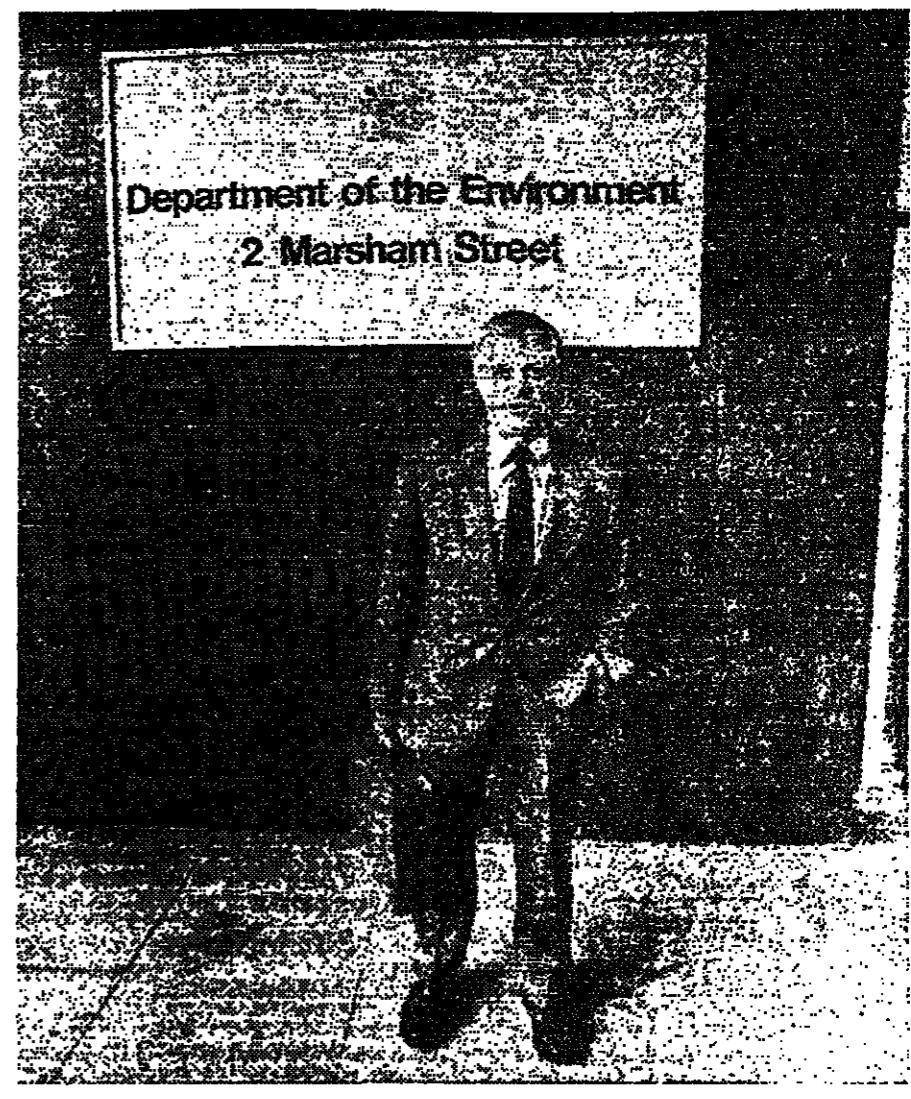
and make for neighbourliness.

Mr Patten has to find ways of improving the design of houses. There is less and less need for the standard developers' house type and more and more need for flexible individual houses. Architects, too, need to be more involved in the advance of housing design, which has barely moved since the First World War when "Das Englische Haus" became a model for Europe. It could do so again. The British are good at domestic life and an improved setting for it could be a priceless export.

When it comes to cities and transport, how is Mr Patten to grapple with ten years of opportunistic growth and inadequate public and private investment in the infrastructure? The lack of pride in an ungoverned capital city has somehow to be reversed. London has genuinely suffered from the appalling decline in its public services. The development of Docklands may have been fast, but it is no model for the future. It was consciously unplanned and built only to a short term "stacking up" formula.

It is the pursuit of design and architectural quality that must preoccupy the new minister. He could be seen to have a positive enabling role that only encourages the good. But to do that he has to recognise that so many of the forces that are at work on the environment today are merely the forces of expediency.

His role is to transform expediency into excellence. He has the power - may he have the vision too.



Department of the Environment

2 Marsham Street

First sightings on the Edinburgh Fringe

One of our more satirical stand-up comedians accosted me in a Festival watering-hole on Saturday night and complimented me on my anorak. I patiently explained to him that I was not wearing it for sartorial effect, but for protection against some of his more impudent colleagues on the fringe.

I had hardly stepped off the shuttle from London before being twice squirted at first, by a feminist double act wielding a water pistol while impersonating the Kray Twins; and secondly, more dangerously, by the foul-mouthed Glaswegian comedian Gerry Sadowitz who closes his brilliant new show at Heriot Hall (more of which anon) by lifting his kilt and "urinating" over the paying customers from a giant propatty phallos.

Yes folks, it's Edinburgh Festival time, and that means to hell with fashion tips and on with the anoraks and walking shoes. There are over 7,000 fringe shows on offer, presented by over 500 companies in

150 venues.

Where to start? Tradition dictates the Traverse, now under the new artistic direction of Ian Brown. But something is up. I have been here two days and still not bumped into its founding director, Jim Haynes; and the famous bar has been tragically replaced with a second auditorium while the former studio, downstairs, has been converted to an awkwardly arranged, unwelcoming cafe.

None the less, the Traverse promises much already. Brown's first production continues his predecessor's link with John Clifford and makes a glorious connection with the Spanish theme of the Festival proper. Clifford's *Jesus De Castro* is a sombre, beautiful play about the political martyrdom of a Portuguese prince's Spanish mistress. Based on a historic event, the story has the sober majesty of a Schiller tragedy (Mozart's *Stuart comes to mind*) and the glacial, condensed wit of Clifford at his non-whimsical best.

Paul Brown's design contains the action on a raised platform and a mobile gridded cage, so you have the sensation of being simultaneously in a prison cell, on the scaffold, and beside an ecclesiastical catafalque. The atmosphere is imbued with fire, chimes and incense.

Alison Peebles is superb as Ires, fending off the spirited, argumentative assaults of her nurse (Una McLean), a wronged wife (Hillary MacLean) and the Portuguese court, before her bizarre resurrection to receive a vow of allegiance.

The greatest compliment I can pay Ian Brown is that Jenny Killick herself, Clifford's staunch champion, could not have directed the play with more grace or dignity. *Blending* is a first theatre piece by Bob Buttlin, translated from the French of Michel Vinaver, and using five of the six excellent actors in *Jesus De Castro*, is a masterful mix of Celtic work play and Gallic personality differences.

Moving on, *Glad-Rag Dolls* at the Playhouse Studio sounded

a good tea-time bet, a cabaret set in a "seedy Soho" featuring the songs of Cole Porter, Duke Ellington, and Billie Holiday. Unfortunately it also includes three excruciatingly spun-out hard luck stories of a bag-lady, a transsexual and a lonely drag artiste. Everett Scott is a notable presence.

I have encountered two "inverted" feminist plays, each a two-hander, each disappointing, verging on the feeble. At St Columba's by the Castle, the Red Rose Theatre from Lancaster are mounting a very full programme, including the water-squirting gangster double-act, *Kray vs Kray*. The authors, Suzanne Manners and Arabella Sawyer, itemise a familiar Kray roster of mother fixation, boxing, sexism and violence, and with unlikely resolutions. Five grey, interlocking desks, moved skilfully around to the worth of the French of Michel Vinaver, and from each other in symbiosis to the destruction of a small family business.

In the Assembly Room, the much-hyped *Ones*, by and with Robert Llewellyn and John McKay, is convincing only in its satirical, manipulative aspect. It is a hold-all of bright clichés emanating from the proposed publication of a radical pornographic magazine. I soon went right off the right on sniggering, which even includes the fantasy radicalisation of the muck-truck drivers who throw in their jobs and a temporary excursion and the final act was played out with the usual rites carefully observed.

More whale of a time to be had in the same venue with Peta Lily and David Glass, working in beautiful tandem on a captivating distillation of *Moby Dick*. *Whale* is the sort of show I shall all year not seeing and am very glad to catch at the Edinburgh Festival. This haunting, magical piece of total theatre, well directed by Leah Hausman, is worth twenty *Ones* and is confidently recommended to all anorak-wearers.

Michael Coveney

Calisto, Traviata and Der Rosenkavalier

SANTA FE

Novelty is nicely blended with main stream repertory at Santa Fe. Alongside *Chérubin* and *A Night at the Chinese Opera*, the current season offers *La Traviata*, *Der Rosenkavalier* and *La Calisto*. To judge from photographs from previous years, a conservative approach to staging is the norm - no deconstruction here - and that tradition continues this year, with only *Calisto* venturing outside strict period propriety.

If there were serious shortcomings in the presentations of the Massenet and Weil on which I've reported so far, *Traviata* and *Rosenkavalier* at least, both directed by John Copley, raised a few fewer problems. Both operate within standard, workmanlike designs (by Robert Perdziola and John Conklin respectively), and if neither offered arresting new insights, they contained no glaring solecisms either. At one point Copley's *Traviata* looked likely to turn into something blacker and far more unsettling - when the exuberance of Flora's third-act party took on a distinctly threatening demeanour - but that proved to be only a temporary excursion and the final act was played out with the usual rites carefully observed.

It was dominated by a most impressive Violetta from Sheri Greenwald, strong-minded in the first act and never too vulnerable, but moving in a believable, compromised way and sung throughout with control and a fine sense of style. The Alfredo was Richard Drews, a Santa Fe regular who was inclined to push just a little hard at climaxes but a personable and makes a pleasing sound. The Germont père of Brent Ellis was

smoothly sung, but stagily characterised - the older man in this clutch of Santa Fe productions at least have invariably been brought close to caricature. John Fiore conducted, without too much subtlety but provided the singers with solid support.

Der Rosenkavalier also had a first-rate vocal core, led by Ashley Putnam singing her first *Marschallin*. The trend towards younger Marschallins surely reaches a new level with Putnam - she cut a marvellously elegant figure, so alluring that one wondered what on earth Octavian could prefer in Sophie, particularly this astringent but well-focused one from Cheryl Parrish. Jeannie Piland made a robust Octavian, less dashing than some but eager and full hearted; the Ochs of Eric Halverson was by no means as broadly comic as one might have feared, but well sung and over-egged.

The conductor was Santa Fe Opera's onlie begetter John Crosby. Strauss is evidently his first love; this was the 26th staging of the composer there. His work is enthusiastic rather than refined, often wayward and slow; at several times it seemed as if the singers were urging the tempo forward. In what is one of the most words of all operas, though an impressively high proportion of the text came over. This extraordinary opera house, open to the skies, treats voices well; everything tells, and in *Rosenkavalier* that is always a definite advantage.

It is hard, however, to summon up any enthusiasm at all for John Cope's *Calisto*, which ranks as the most vulgarly offensive opera production I have encountered since *Covent Garden's* *L'italiana* was unveiled in January last year. Unfortunately *Calisto* was

matched by a musical performance, conducted by Justin Brown, of almost equal crudity. In other circumstances there would have been some point in protesting the continued use of Raymond Leppard's performing edition, whose crusading work is all done by now, and which should leave the way clear for other, less tendentious realisations. But the brush strokes were so broad, the rhythms so soggy, the singing so lacking in any kind of style that such musical niceties seem irrelevant.

Cox's production appeared to have started out as some kind of post-Holocaust allegory, with a geiger-counter braying gods and ragged, radiation-sickened mortals. With the lights of Los Alamos, site of the first man-made nuclear explosion, twinkling in the mountains through the open rear of the stage, that would have added an agreeably ironic edge, but such ideas were virtually abandoned after the first scene, and everything was allowed to degenerate into unpleasing and unrevealing camp.

Diana was played (by Tatiana Troyanos, not well cast) as a cigarette-touting lesbian, *Merkurio* (by Mikael Melby, ditto) with preening self regard; *Linfea* (John Fryatt) became a pantomime dame. There was an untrammelled if anodyne *Calisto* from Janice Hall, perky *Satyrino* from Kathryn Gambaroni, and some simply dreadful chorus work; the arrival of the furies as a gang of punks with spray cans, intent on transforming *Calisto*, was not at all the image one wanted to carry away from this uniquely sited and inspiring opera house.

Andrew Clements

August 11-17

Des Canyons aux Etoiles

ALBERT HALL

Messiaen's ornithological epic - in which diverse twitters sing their way from Utah's Bryce Canyon to the Celestial City - has become the London Sinfonietta's party piece. On Friday, David Atherton led them through its dozen hectic movements and Paul Crossley took on the arduous pummeling piano solo. The result was a cornucopia of extraordinary sounds and yet - for all the brilliance of the performance - as uninviting and unsatisfying a musical experience as one could fear to have.

To be moved by *Des Canyons aux Etoiles* you would have to share the composer's peculiar combination of obsessions and hence not only be able to find birdsongs - or at least their instrumental recreations - musically compelling in themselves, but be willing both to feel the divinity in each and every warble and embrace the glutinous Catholic theology by which, for Messiaen, that divinity is explained. Otherwise you must simply make what you can of an extended sequence of hard, bright, novel noises - a collection of sonorous images tirelessly exhibited and rearranged, but never amounting to more than the sum of its parts.

In a sense this makes for easy listening. Messiaen's formal shapes and symmetries are obvious and functional rather

than profound or expressive. The specific content - the notes, rhythms and colours, with all their burden of symbolism and onomatopoeia - are what matters, and there is no sense of a developing argument to worry about. The third of the three parts seemed to add nothing of importance. The atheistic listener was always in the position of merely examining a book of musical samples; or, to use a more apt metaphor, of admiring a new church organ, its mixtures and mutation stops, its limitless capacity for effect.

Many of Messiaen's images were fun the first time; his play with wind-machine and geophone and thunder-sheet had a momentary grandeur, while his resources of birdsong mimicry were always astonishing so long as you could think yourself into a scientific way of listening. His sonorities have a biting force, but you may resent being bitten all the time. Certainly, when the second of the two long, metallic piano solos came round I grew weary of my punishment, though I admired Paul Crossley's power to administer it. The horn solo movement, "Interstellar Call," was superbly presented by Michael Thompson, and seemed to go on for ever and ever.

Paul Driver

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ARTS GUIDE

MUSIC

London

The Proms. Works by 114 composers will be heard during this year's Promenade Concert season which continues until September 16. Most concerts take place at the Royal Albert Hall, St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11 and can be booked on 589 3212, 589 9465 (10am-6pm) or 378 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced £11-50 or £22.

The week-long Klaus Tennstedt conducting Beethoven's Ninth (Mon); and the BBC Symphony Orchestra play Bartók, Biró, twistle, and Stravinsky (Thur).

The Festival of Paris. Clarinet by Guy Depuis, Quartet by Ludwig van Beethoven, Shostakovich, Brahms (Tue) Auditorium des Halles.

The Festival of Paris. Orchestre des Concerts Lyriques de L'Opéra (Thur) Auditorium des Halles (48048801, in English 47208981). Paris Ars Antiqua. Music of the troubadours, 15th century music at the court of Burgundy, 16th and 17th century court and village music (Mon), music from the Crusader period, Guillaume de Machaut 14th century, golden age of Spanish music 16th century (Tue, Thur). The arts antiqua concerts take place at 7.15 pm

and 9.15 pm in the Sainte Chapelle with its jewel-like 13th century windows (43405517) 4, Bd du Palais.

Flute recital by Gabriel Fumet. C.P.E. Bach, J.S. Bach, Telemann, Debussy, Varese (Wed) Sainte Chapelle (46231253).

Summer festivals in France.

La Chaise-Dieu in Auvergne, Aug 22-30 (71000116). Saint Jean-de-Luz, Aug 30 - Sept 16 (58230316). La Roque-d'Anthéron, Aug 1-23 (42506115). Menton, Aug 5-31 (93375700).

François Houtart (organ) Hans Dael (cello) Lucy Grauman (mezzo) 17th & 18th century religious music (Tue).

Montepulciano

29th Festival of Organ Music, in Tuscany, 14th Cantieri Internazionali d'Arte - founded by Hans Werner Henze in 1973. Closing concert (Sat) at the

FINANCIAL TIMES

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Monday August 14 1989

Containment
not enough

TROOPS went into Northern Ireland 20 years ago today. They went to protect the Catholic community from attacks by over-zealous Protestants who were resentful of Catholic demands for civil rights. They remain today for rather different reasons. The main purpose of the British military presence in Northern Ireland now is to combat the IRA, an organisation that did not exist in anything like its present form in 1969.

Much else has changed as well. There has been a gradual improvement in relations between Britain and the Irish Republic, partly as a result of both countries belonging to the European Community, and partly because successive Irish governments have realised that the IRA is potentially an even greater threat to the stability of the Republic than it is to the United Kingdom. No mainstream Irish political party now lays claim to a united Ireland in the foreseeable future: hence the Anglo-Irish Agreement of 1985, which explicitly states that there will be no change in present arrangements without the consent of the majority of the people concerned.

At the same time, there has been an estrangement between Britain and Ulster. Northern Ireland is under direct rule, which is not how a part of the United Kingdom should be run. The leaders of the Unionist parties still refuse to accept the Anglo-Irish Agreement.

Professional gunmen

The IRA has moved from amateurism to professionalism. Whatever its protestations to the contrary, it has come to believe in violence for its own sake. Although it relies on no more than a few hundred activists, it is capable of striking in Ulster, Britain and even continental Europe.

It is therefore entirely understandable that a primary aim of British policy should be to reduce, or at least contain, the violence. Indeed some of the British commentators on the 20th anniversary of the deployment of the troops have suggested that containment is the only policy available, and

may remain so for years to come.

There is an unhappy flashback here to that phrase of the mid-1970s: "an acceptable level of violence." Containment, even if it is achievable, is not in itself an adequate policy; nor is relying largely on security measures. The unrest in the late 1960s came about because there was discrimination against the minority community. Some of it still exists in housing and jobs, for example. Moves to eliminate discrimination will not kill off the IRA overnight, but they should be taken in their own right.

Civil liberties

It is sometimes said that having to combat terrorism has had a harmful effect on civil liberties in Britain. And it is true that there have been some cases where justice has not always been seen to be done. The shootings in Gibraltar and government attempts to censor television coverage of some Irish events have left a disturbing taste. On the whole, however, the British have stood up to the Irish troubles with remarkable tolerance. There has been no outbreak of anti-Irishness, and respect for the Irish Republic has probably grown.

A greater danger than intolerance is indifference: the turning of the blind eye to Northern Ireland that allowed the discrimination to develop in the first place. Ulster has seldom been at the top of the political agenda, and that usually only in security terms. No wonder the Unionists feel rejected when so few British politicians visit the province.

The Conservative Party is toying with the idea of playing a more active role in Ulster politics on the ground. Perhaps the Labour Party would like to follow suit. For something is needed to prod the Unionist leaders back into the real world. There is a touch of Mr Arthur Scargill in Mr Ian Paisley that ought to be exposed. Unionist leaders cannot indefinitely claim to be British while rejecting everything that the British propose, and devouring an excessive share of British money to boot.

A decade of privatisation

THE wildest enthusiasts for Mrs Thatcher's new government in 1979 cannot have believed that, 10 years later, she would have denationalised some £25bn worth of assets and be set fair to abolish the state ownership of industry altogether.

By 1992, when the proceeds from privatisation are expected to have reached a fifth of the present national debt, an irreversible change will have swept across the British economic landscape.

As the Organisation for Economic Co-operation and Development remarked last week, it is too early to judge the success of the latest and most contentious phase in this grand strategy - the sale of large public sector monopolies. Nevertheless the OECD and others are starting to fill in the score card, and important lessons can be learned. Most obviously, a clear distinction must be drawn between the sale of companies like British or Rolls-Royce, which belong naturally in the market sector, and of those industries that competition cannot easily reach. Up to 1983 the businesses sold were generally competitive; and this phase was a great success.

Perhaps for this reason, the Government underestimated the difficulties of allowing the big monopolies to set sail before the profit motive, and was dismissive of the arguments for breaking them up. Not only do they escape normal competition, but, as the OECD competition, bad utility management may be even more secure in the private sector than under public ownership. Diffusely held shareholdings, the companies' large bulk and special "golden shares" make most managements all but invulnerable to the threat of a take-over.

Regulatory discipline

Consequently, the sharpest discipline is likely to be applied by the government-appointed regulators and by public pressure. The Government hoped to minimise regulatory interference by subjecting the industries to relatively simple price formulae. It is clear now that regulating those powerful monopolies will be much more complex than was envisaged at the start of the programme.

In both telecommunications and gas the scope of regulation

John Elliott reports on Taiwan's booming stock market and economy

A mother hands a thick wad of dollars to her small child and points to a woman broker standing behind the counter on one of Taipei's high-tech stock trading floors. The broker smiles, beckons, and the child lays the money over the high counter, placing a \$20,000 order for its mother on a Taiwan stock.

The woman was one of thousands of speculative punters, many looking far from affluent, who sit every day in Jardine Fleming's and other stockbrokers' modern trading floors around Taipei, watching banks of video screens for investments to turn round in a few hours. In their briefcases and shopping bags they have tens of thousands of Taiwan dollars to gamble on a stock market that has more in common with a casino than a source of long-term investment.

Jardine Fleming handles the equivalent of US\$8m (£5m) an hour during the market's three hours' daily trading. For Taipei it is a small operation with only 0.35 per cent of the market's turnover. But Mr Blair Pickrell, the firm's country manager, estimates that its 0.35 per cent is equivalent to about 50 per cent of Malaysia's entire turnover or 25 per cent of Thailand's.

"People have changed their value concepts. We have developed a casino mentality of people desperate for quick returns," says Mr Vincent Siew, vice-chairman of the Council for Economic Planning.

"We are suffering the growing pains of too much money. This desire to make quick profits in a few hours is against the working ethics of Chinese people who are noted for patience, diligence and hard work," says Mr James Chu, spokesman of the ruling Kuomintang Party (known as the KMT). "People are saying 'Why should I work in a factory or office for a regular salary when I can make quick profits in the stock and property markets?' This is having a negative social as well as economic impact."

Yet despite these growing pains, Taiwan is emerging as a significant Asian economy with great strengths and optimism about the future. Although it is not internationally recognised as a sovereign state because it is claimed by China, it behaves and feels like an independent country.

It has a population of only 20m but it is the world's 13th largest trading nation. Its export success is being tested by the strength of the New Taiwanese dollar, which has appreciated by about 50 per cent since September 1985 (12 per cent so far this year) to just over NT\$25 to the US dollar. It boasts foreign exchange reserves in excess of US\$75bn, an annual per capita income of over US\$6,000, and economic growth slowing slightly to about 6.5 per cent this year.

In the wake of the Tiananmen Square massacre, it is displaying more confidence and optimism about the future than Hong Kong. Such a comparison with the British colony would have been dismissed as ludicrous at the beginning of the 1980s. A year ago it would still have seemed inconceivable. But now it is a fact.

Both Taiwan and Hong Kong lie on the edge of the shadow of China, which wants to bring them (along with the Portuguese enclave of Macao) back under Peking's sovereignty. Both are populated by refugees from the Chinese mainland who have turned their new homes into two of Asia's economic dragons. These people have no wish for Peking's Communist shadow to engulf them.

For decades Hong Kong has prospered under British rule to become an internationally important financial centre and a regional entrepot for China. Taiwan, on the other hand, suffered from a repressive political



The other China's new confidence

system run by an ageing KMT leadership who moved there from Peking with Generalissimo Chiang Kai-shek's Nationalist government in 1949.

Now Hong Kong is faltering, its population terrified of life after 1997 when the colony returns to Chinese sovereignty. Tens of thousands of people are trying to find alternative homes abroad. Ideas are even being mooted of transplanting Hong Kong to another part of the world - Scotland, perhaps, Gibraltar or Darwin in Australia.

The Taiwanese, however, have no thought of being transplanted, nor of

Unlike Hong Kong, Taiwan has no time limit on its present state of assumed but undeclared independence

emigrating in droves. Those who do leave find successful high tech and other jobs in the US and elsewhere and tend to return in style.

The economy is booming. And following the lifting of martial law by the late President Chiang Ching-kuo, and political reforms continued by his successor, President Lee Tung-hui, there are to be democratic elections in December, for which party primaries have just been held.

The basic difference of course is that, unlike Hong Kong, Taiwan is not covered by an international treaty forcing it back to China, so it has no time limit on its present state of assumed but undeclared independence. Significantly its people have no faith in Peking's pledge to Hong Kong's Communist shadow to engulf them.

For decades Hong Kong has prospered under British rule to become an internationally important financial centre and a regional entrepot for China. Taiwan, on the other hand, suffered from a repressive political

which is also on offer to Taiwan - that it could operate as a capitalist enclave within a united Communist China under what is known as "one country, two systems".

"I don't believe the Communists will keep their promises. I don't believe one country, two systems" can work in any country, says Mr James Chu, speaking for the KMT, but echoing an almost universal view which derides Hong Kong's hopes.

A slightly softer, more diplomatic line is given by Dr Ma Ying-jeou, a Harvard graduate in his late 30s who heads a government committee in charge of policy towards the mainland: "We believe in 'one country, two systems' as a cross-strait policy but we want to ensure it is not against our economic development and freedom."

The present Taiwan regime was set up 40 years ago this October. Chiang Kai-shek arrived from the mainland, where his forces had been defeated by the Communists, with 1.5m-2m followers. They created what is called the Republic of China. It still claims sovereignty over the mainland and its leaders still hanker after reunification. The recent events in Peking have strengthened their conviction that they have a special role to play.

"We have a cautious, gradualist approach based on no direct contact between the two governments," says Dr Ma Ying-jeou. "Our long-term goal is reunification on the principles of democracy, equality and prosperity. In order to achieve that, we have to promote liberal and democratic developments on the mainland by gradually making mainland people appreciate the benefits of our system."

Dr Ma and other officials quote opinion polls which suggest reunification would take 20-30 years, with

increasingly closer ties and formal contacts along the way. They say that the Tiananmen Square crisis has put any movement back by five years or more. Eventually reunification could be a generation further away.

Since 1987 Taiwan has allowed visits to and from the mainland. Last month it loosened controls on indirect mail and telephone calls to help people send facts about Tiananmen Square to contacts in China. Trade and investment is tolerated, providing it is done indirectly. Usually this means going through Hong Kong. Customs officials there put last year

Taiwan's property prices and labour costs are rocketing; some building site wages have doubled in a year

two way trade at US\$2.7bn, of which US\$2.5bn was Taiwanese exports. This has fallen off in recent weeks. Investments totalling an estimated US\$200m have been made.

The government has not stopped these contacts in recent weeks because it does not want to upset the sensitive balance of the China relationship, a factor which also curbs its criticisms of the Tiananmen Square massacre. But it does try to make sure moves are taken slowly because there is a fear of being swamped by immigration from the mainland.

"Reunification is not on because we cannot for economic reasons open our doors to the mainland," says a banker. "They could send 10m or 30m

people across the straits and that would sink us - we could not even open our doors to 50,000 detainees without economic trouble." The government does not want the two-way trade, which accounts for 2 per cent of Taiwan's total, to grow much larger. "Look at how the US treats us over trade - we don't want that from China," says one official.

There is a faction which wants Taiwan to break formally from China. "Full independence would allow Taiwan to develop new economic and other plans for its future as a country and have faster political reform," says Dr Lu Hau-Yi, foreign affairs director of the Democratic Progressive Party, the main opposition challenge to the KMT, which was jailed from 1983 to 1986 for his pro-independence views.

Such views are illegal because they would negate the KMT's claims to be the legitimate government of China. They are also impractical, partly because Peking has threatened to invade if there was an independence declaration, and partly because such a move would exacerbate rather than help Taiwan's international relations.

At present Taiwan is officially recognised by only 24 mostly small countries - Grenada being the most recent to join the list. Taiwan has indirect relations with other countries which want to increase trade ties, including the UK which recently opened a low-profile visa office in Taipei. Growing international confidence is demonstrated by a decision to apply later this year for membership of Gatt.

But for most Taiwanese, the competing ideas of reunification and independence are irrelevant and even dangerous. People are primarily interested in doing business with China, especially using it as they use countries such as Thailand and the Philippines for low-cost production.

Too much progress on the mainland could even upset Taiwan's property.

"Many people are worried that if China becomes really democratic and liberalised, the flow of capital would go there and net to Taiwan where land prices and prosperity would go down," says one financier.

Taiwan is pricing itself out of many companies' equations because its property prices and labour costs are rocketing, worsened in international terms by the appreciating NT dollar. Some building site wages have doubled to NT\$3,500 a day in the past year. A nanny gets the equivalent of US\$38-40 a day.

These factors are taken into account by companies like ICI of the UK which recently announced plans for a \$15m chemical plant linked to polyester film production. "If you want cheap labour or have a high pollution factor don't come to Taiwan," says Mr John Chandler, ICI's man in Taipei. "An investment here has got to be capital intensive."

Environmental concerns are growing, compounding other social problems of rapid growth. There are signs of growing labour militancy and a lack of interest in work when there are rich pickings from speculation. Recently the government has started to clamp down on underground finance companies paying interest of 80 per cent or more a year to raise funds for their own property and stock market speculation. The government is looking for ways to channel all the surplus cash into productive investment, partly by liberalising the banking system.

There is concern that the gambling and lack of interest in work could get out of hand. But providing that does not happen, Taiwan will continue to thrive as a capitalist island-offshore from a Communist mainland, operating its informal independence and waiting to benefit from what it assumes will be Hong Kong's inevitable decline.

An average performance

The possibility that the Dow Jones Industrial Average this week will reach its highest-ever closing level is bound to bring out the chartists.

What happens when the market sets a new record? I have consulted the standard work on the subject - a weighty tome called "The Dow Jones Averages 1896-1985" which has nothing in it but statistics, all uncloaked by comments from the real world.

The weight of evidence, alas, is that it pretty soon turns down again. This was particularly the case in the 20 years from 1962 onwards. Five times, the market hit a peak only to fall straight back. The only notable exceptions in modern times were the great bull market after the last war, and the strong run in the early 1980s.

The good news is that if the market does break through firmly to a new high, there is nothing half-hearted about it: it goes on to scale much higher peaks, as happened in late 1982 and mid-1985.

People will say that past patterns contain no guide to the future; it's the economic fundamentals that count. That's not entirely true. Everyone knows once the market is in new territory it makes them nervous. One detects signs of that already.

The Dow's present record of 2,722 was set on August 25, 1987. I still cherish a lapel button I was given by a New York stockbroker in 1980. It said "The Dow at 3,000 by 1982."

Lady liberator

A 47-year-old bee-keeper's daughter from the Gaza Strip has achieved rare political prominence in the Arab world for a mother of five. Mrs Intisar Al-Wazir, better known by her nom de guerre Umm Jihad, last week became the first woman to be elected to the leadership of Fatah, by far

OBSERVER

the largest faction in the Palestine Liberation Organisation.

Umm Jihad is a short, soft-spoken woman who once wanted to be a doctor. But her appearance masks a steely character: only last year she was forced to witness the murder of her husband, PLO military commander Abu Jihad, when he was gunned down in their Tunis home by Israeli agents.

Ever since the assassination of Abu Jihad, she has received rousing applause whenever she appeared at Palestinian gatherings. But, she is no stranger to the leadership of the movement. In 1986 she was placed in charge of military activities against Israel while her husband and Yassir Arafat were imprisoned in Syria.

Although she was the first woman to join the Palestinian movement in 1969, Umm Jihad was happy to stay out of the limelight while her husband was alive. In the early days she acted both as breadwinner and housewife while Abu Jihad set up the first Fatah office in Algeria.

She bristles at suggestions that her election was principally a tribute to his memory: "My success was mainly the outcome of many years of personal struggle," she says.

Initiatives

An article in the current issue of the West German weekly, Die Zeit, on European unity, notes that two large attempts were made to achieve it in the last century: the first at the Congress of Vienna in 1815 under Habsburg leadership, the second in 1871 by the Prussians under Bismarck.

The thrust of the article is

that the time is ripe for a third attempt.

And the author, Otto von Habsburg, says that the time is ripe for a third attempt.

He believes that the time is ripe for a third attempt.

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WHEN YOU speak of vision, you seem to think of management in terms of dreams. Dreams have their place in managerial activity, but they need to be kept severely under control. The object of our policy is to increase our earnings. It is perfectly simple.

That object, in essence, is what drives Lord Weinstock, a man often described as Britain's leading industrialist. As managing director of the General Electric Company in the 1950s, he earned plaudits by masterminding the restructuring of the UK's electrical industry. But, for most of the 1980s, he has seemed boxed in.

It is only in the past year that he has escaped into a fresh burst of action. First, he made a hostile bid – with Siemens of West Germany – for Plessey, his old electronics rival; next GEC and Compagnie Générale d'Électricité of France merged their power engineering interests to form GEC-Alsthom; and then he created a series of joint ventures with General Electric of the US, the largest of which covers GEC's Hotpoint domestic appliances business.

Now, as GEC and Siemens seem on the point of finally capturing Plessey, Lord Weinstock speaks of his goal of increasing GEC's earnings as a creative activity which benefits the rest of society. Not only are earnings a justification in themselves, they also "reflect the extent to which you are meeting needs. They reflect the extent to which you are giving satisfaction."

However, this talk about increasing earnings may seem rather dry as a vision. And that is the heart of a criticism that has been voiced about Lord Weinstock over the years – that by concentrating exclusively on profitability, he has been blind to some of the more exciting new electronics markets.

There is also anxiety about the joint ventures GEC is embarking on. On the one hand, there is a feeling that Lord Weinstock would not now be putting nearly half of Britain's dominant electronics group into joint ventures which he will not totally control if he had achieved faster expansion in the past. On the other hand, people wonder whether he should be allowed to increase his dominance of the UK electronics industry by taking over Plessey if he is not going to make it grow.

Lord Weinstock bristles at the suggestion that he is not good at making things grow. He points out that, since he joined GEC, its turnover has shot up from £20m to over £26m.

The most spectacular part of this growth came in the big acquisitions of the 1980s, however. If you take a more recent period – as the Monopolies and Mergers Commission did in its report on the Plessey bid – GEC's sales have barely grown in real terms, increasing (in 1988 pounds) from £5.0bn in 1979 to 5.5bn in 1988.

Lord Weinstock complains that defying the Retail Price Index is an absurd way to measure industrial activity. "We don't buy sugar and pay council house rents... Prices for many of our products were going down when inflation was going up."

Nevertheless, other large interna-

Lord Weinstock is close to achieving his ambition of acquiring Plessey for GEC. He talked to Hugo Dixon.

Keeping dreams under control

tional electronics companies have grown rapidly over the past decade as electronics have taken a larger share of the world economy. Siemens, for example, saw its sales go up from DM261bn to DM541bn in real terms over the same period. The big Japanese companies have grown even faster.

"You think growth is necessarily benign, do you?" Lord Weinstock asks. "People just getting bigger for the sake of it, you think that is a good idea?"

He also points out that the only consumer market that GEC has pulled out of in the past twenty years is television receivers. "There we got driven out by the one joint venture we have undertaken which did not succeed – with Hitachi."

However, the criticism is not so much that GEC pulled out of businesses but that it failed to make a push in new areas, such as personal computers and semiconductors, which did not even exist twenty years ago.

"We didn't regard those fields as areas where we were particularly likely to succeed or as areas which were likely to be profitable for the company – and neither would they have been. We would have failed like everybody else. Nobody has consistently made money out of that sort of thing apart from the large American companies and perhaps the Japanese."

Critics also say GEC failed to push hard enough to get into foreign markets. Lord Weinstock has always said he tried but was blocked, for example, when he attempted to take over AEG, the German electrical group in 1982.

But others have succeeded in putting together transnational deals. For example, in 1987 ITT put its telecoms interests into a joint venture with Alcatel of France, creating the world's second largest telecoms manufacturer. "If we'd got to look at it, certainly that would have been interesting," says Lord Weinstock.

Was ITT then a missed opportunity? "We didn't have an opportunity," Lord Weinstock says. "If the number 73 bus goes down Park Lane and you're in Oxford Street, it is not a missed opportunity if you didn't get in Park Lane."

"This is one of the most efficient and successful companies in this country and I sit here being told by a journalist how much the thing is being run down. You keep on telling me that we've missed opportunities. Of course, we've missed opportunities."

Nevertheless, other large interna-



Ashley Ashwood

Everybody misses opportunities. We're not perfect. But the idea that there's something wrong with this company or its management isn't worth talking about."

Lord Weinstock argues that it was not possible to buy companies like CGE, Alsthom, Siemens, Daimler-Benz or Bosch, so it was necessary to form joint ventures to get access to their resources and markets. "It's about building up our presence in Europe with a view to building up our presence generally."

But aren't there drawbacks in going for joint ventures?

"The drawbacks are that you don't

have absolute control. Mind you, I think it is only fair to say that in a large organisation you don't have absolute control anyway because your colleagues sometimes do things that you don't necessarily approve of."

He acknowledges that GEC and its partners have different ways of going about things. GE, for example, has a much larger headquarters staff, which gets more closely involved with its subsidiaries' day-to-day activities.

If you say that there is more bureaucratic interference, yes. They are not actually telling people what to do; they are, on the contrary, stopping

things they don't like."

In the joint ventures, will Lord Weinstock be able to proceed with decisions without clearing them with his partners?

"No, potentially not. In the last resort, I have been able to say: 'You have to do that, no matter what you say' and he does it or he goes. Now, I can't do that, but that's the only thing I can't do and that's a very small part of the managerial activity in which I am indulging. That is imminently small."

GEC's own joint venture in television sets with Hitachi failed, according to Lord Weinstock, because the Japanese company kept most of its TV businesses outside the venture and refused to merge the companies' sales forces. GEC eventually sold out after making large losses. Why won't the new ventures end up the same way?

"In the case of GEC-Alsthom, GEC has no other business in power engineering that is not in the joint venture. Neither do we. The success of the joint venture is necessary to both of our successes in the field of power engineering."

But this will not be true of telecoms. If GEC and Siemens acquire Plessey, the German company will take a 40 per cent stake in GEC Plessey Telecommunications (GPT), but keep its own telecoms business separate.

"Theoretically it could be a problem but it is not going to be a problem, because it does not pay them to lose access to the British market," says Lord Weinstock. He also points out that, unlike the Hitachi venture which was 50-50, GEC will hold 60 per cent, giving it control.

But the key part of the deal is that Siemens and GPT will co-operate on developing future telecoms systems. Given that Siemens is much bigger in telecoms and will be devoting more engineers to the job, won't GPT be dominated by the German company?

"I wouldn't say it will be dominated. Certainly Siemens will have, will expect to have a very large say. Perhaps, although we have the majority of shares, they will have the majority of the technology. But the fact remains that, in the last resort, we can always say we will not do it that way."

In the Hotpoint venture, GE is taking a 50 per cent stake in GEC's domestic appliance business, which is the market leader in the UK. GE is putting its much smaller European operations into the venture but is not giving GEC any share of its vast domestic appliance businesses in the rest of the world.

Didn't Lord Weinstock want a share of those businesses?

"No. You couldn't. You see, the scale is too big. You couldn't have anything to say in a joint venture with GE in domestic appliances in the US. That part of the deal with GE is simply exchanging money for an interest in the Hotpoint group."

But, isn't that like Hitachi?

"No, it's nothing like Hitachi," Lord Weinstock insists. "Nothing ever could be. If you've been through that experience, you would know."

LOMBARD

Nitrate: an avoidable mess

By Bridget Bloom

A PARLIAMENTARY select committee has just produced a sensible report which the relevant British ministers and bureaucrats in Whitehall would do well to digest.

It is about nitrate and the problems that flow from putting too much of the stuff, as chemical fertiliser or farmyard manure, onto Britain's farmland, thereby raising the nitrate in the water we drink to a level above that endorsed by all member states in a European Community directive of 1981.

The report concentrates particularly on a new EC directive, presently in draft and thus not yet in force, to control farmers' future nitrate use.

So far, the report – from the Lords Committee on the European Communities – has been remarked chiefly because it seems to back Mrs Thatcher's stand against the Brussels bureaucrats. But its most important message is a rather different one.

Many people know by now that GEC has set a maximum limit on the amount of nitrate which it believes its citizens should ingest: this is the 50 parts per million set out in the 1981 directive, and based on a World Health Organisation recommendation.

Fewer people, perhaps, know that Britain, though it accepted the 50 ppm limit, successfully negotiated a derogation from it for areas where nitrate levels were already high.

Assuming the science is sound, this seems sensible. The Lords' report castigates the Commission for failing, on its own admission, to take British circumstances fully into account when formulating its new draft directive – although as the Commission witness pointed out in evidence, Britain agreed to the directive in 1981 without presenting any of these reservations.

For there is the point. The real lesson of the nitrate affair is that the mess is of the government's own making.

If ministers and bureaucrats had done their homework in 1980 or thereabouts, they would not have put Britain's name to a directive which now causes them to wriggle and squirm and face prosecution. They are apparently doing their homework on the new directive, and that is all to the good. But where were they then?

* Nitrate in Water. HMSO £7.40

LETTERS

British business schools pull ahead

From Mr Philip Sadler.

Sir, Professor Harold Leavitt's sweeping criticism of business schools, reported by Michael Skapinker (August 2), represents his lack of first hand knowledge of British and European business schools.

The charge that "they inflict lasting damage on well-proportioned young men and women, distorting them into critics with lop-sided brains, icy hearts and shrunken souls" and "fail to help them learn about leadership, imagination, determination and a sense of duty" may be valid when levelled against mainstream programmes in traditional US business schools and in European institutions closely modelled on them.

In other places, however –

Ecu-spending could put EMU at risk

From Mr Andrew Oswald.

Sir, Mr Peter Welch ("United we spend," Letters, August 3) advocates the Ecu (European currency unit) as a currency option to circulate among other EC currencies. This strategy was considered and rejected by the Delors report.

Another form of money creation, not linked to a country's economic activity, may jeop-

haps most of all in Britain – soft process skills of leadership. Programme participants have unrestricted access to databases, expert systems, information services of various kinds, computers, audio visual and interactive study programmes, and an expert staff to help them make full use of them.

A number of British and some continental European business schools can confidently say to Harold Leavitt: "Not guilty as charged."

Organisational leaders need a combination of vision and the ability to manage change as well as analytical skills. At the core of the Ashridge MBA is one important project and several smaller assignments focusing on real issues in organisations, together with an unusual degree of emphasis on

the so-called "soft" process skills of leadership. Programme participants have unrestricted access to databases, expert systems, information services of various kinds, computers, audio visual and interactive study programmes, and an expert staff to help them make full use of them.

This points to the conclusion that, throughout Europe, there must be much wider recognition of the likelihood of persistent air traffic growth into the first quarter of the 21st century, leading in turn to the need for a much longer "time horizon" in all civil aviation planning.

To avoid the ad hoc solutions of the past, efforts to update ATC systems – as well as terminals, runways and access links – need to be geared not just to a doubling of current air traffic by the year 2005, but to the likelihood of a further doubling in the following 20 years. Such a time-scale may appear extravagant to some – but necessary, if the problems of the recent past are not to recur a few years from now.

In the UK, with a record much better than in most other European countries, it takes far too long to win approval for essential new developments as much as 10 years from conception to in-service for a new terminal or runway, by which time traffic growth may have

Education down the Tube

From Mr Andrew Oswald.

Sir, I see from your front page (August 10) that the average London Tube driver is to earn £333 per week. This is, I note, approximately the midpoint on the salary scale for university lecturers in Great Britain.

It would be considered un-British, presumably, to suggest that there is probably not a single Tube driver who would make an adequate university lecturer, nor a single university lecturer who would be an inadequate Tube driver.

But what about perks, I hear you say? True: university teachers do not get subsidised travel.

Andrew Oswald,
Centre for Labour Economics,
The London School of Economics
and Political Science

Bad debts at the banks

From Mr Mike Lyndoe.

Sir, Can clearing banks so smugly laugh off huge foreign bad debts, as Sir Jeremy Morse of Lloyds did on television?

He said he had chaired Lloyds for the seven years the bank had been involved with Latin America, and much of the fault lay at his doorstep. Yet he would not consider his lack of foresight, and the resultant damage to Lloyds' credibility, a sufficient case to resign.

If this company were in debt to any of the four big clearing banks, and ran into difficulties, you can bet your last brass farthing that we would be promptly foreclosed on – with no thought of rescheduling the debt, even if the cause was simply over-trading profitably.

No wonder banking with the Big Four is so expensive; they can afford to throw billions away in Latin America and, at the same time, charge exorbitant rates to business users.

If the heads of the four clearing banks rolled (as with the Blue Arrow affair) I think many would come to respect the banking fraternity as a responsible body – but not while the old hierarchy is in place.

Mike Lyndoe,
Tresco,
Blackheath,
Guildford, Surrey

time critical manœuvres

Corporate finance is fast moving and our clients expect sophisticated judgements to be made against tight deadlines.

With any number of professions and factors involved, speed of response can benefit a complex transaction in a dozen different ways.

Our role is to guide our clients and their advisers and give total support to their objectives. Many forces are at work; your intellect, drive and stamina will be tested to the full.

Our Corporate Finance teams need bright lawyers to build capacity and attract the kind of work which interests them; mergers, acquisitions and flotations are at the top of their list. If you think that these should be part of your future, talk to us soon.

We are looking for lawyers with the intellectual drive and energy to make their own contribution to the growth of our practice. Our style is friendly, places great emphasis on team effort and provides the right environment for you to achieve your best. If this approach to law matches your ambition, take the opportunity to find out more.

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Janet Bush
on Wall StreetRotational
worries
for market

"ROTATIONAL plays" became the buzz concept in the equity market last week. What it means in plain English is that traders had started to get worried that the market could not possibly move above its 1987 peak without a further performance by such old stalwart cyclical stocks as Dow Chemical and IBM.

By rotation, equity analysts are talking about a shift from one sector to another. Most often, during the current (or past) market, that has meant a shift in the focus of takeover speculation from, say, tobacco stocks to hotels and casinos. But it is not this sort of rotation that boosts a market to record highs.

What has most worried the market is that cyclical stocks, which tend closely to follow ups and downs in the overall economy, have been doing badly. According to Mr Kenneth Spence, equity analyst at Salomon Brothers, cyclical stocks have not underperformed non-cyclical (and therefore recession defensive) issues by such a margin since the October 1987 crash.

In the past six months, Salomon's index of consumer non-cyclical stocks has outperformed the Standard & Poor's 500 by 18 per cent. In stark contrast, its cyclical index has underperformed the S&P 500 by 3 per cent.

Mr Spence said: "The market is talking about a soft landing for the US economy but it is still investing for recession."

The stronger-than-expected headline figures contained in the employment release for July served to underscore hopes for a soft landing, as did last Friday's unanticipated drop in producer prices during July and strong rebound in car sales.

Last week started with a surge in such cyclical stocks as IBM, which was heavily traded, and signs of profit-taking in such consumer non-cyclicals as Philip Morris. This shift actually began around a fortnight ago, as recession fears waned, but accelerated last week after the employment data.

However, by the end of last week, IBM was back on the defensive and the much-hoped-for rotation appeared to have turned another 180 degrees to end up where it had started: with takeover plays and consumer stocks which hedge against recession.

Mr Spence believes that the recent partial shift to cyclicals was a short-term trading move within a longer term relative downturn in this sector. He points to slowing profits and slowing cashflow. According to his figures, profits of the S&P 500 companies jumped 22 per cent year-on-year in the first quarter of this year, but by only 5 per cent to 6 per cent in the second quarter, an extremely dramatic fall-off.

Mr Lance Stonecypher, vice president of research at Ned Davis Research, publisher of a widely read investment newsletter which uses mathematical models, said that his company had got its first recession signal in February. Taking into account the normal lags, a recession could begin by around December going into the first quarter of next year.

In its edition of Industry Watch on August 11, Ned Davis Research wrote: "We have not seen enough evidence for a recession yet, but we have declined to zero economic growth based on the reading from our Economic Timing Model."

Mr Michael Sherman of Shearson Lehman Hutton believes that there are a number of factors which should balance out the fact that it is likely that the peak of earnings for cyclical stocks has already been seen. Among them is the fact that the decline in the dollar in the past five years has led to worldwide competitive advantages for domestic manufacturers and raw material producers which "will not dissipate as a result of a slowdown in the US economy."

Second is a willingness within the US Federal Reserve to protect the economy against recession.

Third, a lot of companies have been cautious about adding capacity when the economy is at a cyclical high, protecting them more than in the past from an economic slowdown when it arrives.

Salomon's Mr Spence points to the fact that junk bonds are trading at historically cheap levels versus Treasury bonds. "If people really believed in a soft landing, they would be aggressively buying junk bonds," he said.

Perhaps we will see the required rotation into cyclicals and a move to new peaks in the equity market only when junk bonds return to favour.

EAST GERMANS SEEK ASYLUM

West Germany closes Budapest embassy

By David Goodhart in Bonn

WEST GERMANY yesterday temporarily closed its embassy in Budapest to the public to stop any more asylum-seeking East Germans from joining the 100 who are already inside the premises.

The action reflects Bonn's discomfiture over this summer's upsurge in attempts to emigrate westwards, both legally and illegally, by East German citizens, a trend that has complicated relations between the two German states.

A week ago, West Germany closed its diplomatic mission in East Berlin, where 130 people had holed up, and at least 30 East Germans are believed to be inside the West German embassy in Prague.

Mr Rudolf Seiters, the West German cabinet minister in charge of the asylum crisis, has appealed to holidaying East Germans not to occupy the country's embassies in Eastern Europe.

Mr Jürgen Sudhoff, a state secretary in the Bonn Foreign Office, will today meet the Hungarian Foreign Minister, Mr Gyula Horn, to discuss how

both countries can respect the human rights of the fleeing East Germans without widening the rift with the East German Government.

West German officials fear that the embarrassment to the East German Government caused by the wave of embassy occupations, and by the much-publicised East German flow across the recently opened border between Hungary and Austria, may bring to an end the recent relaxation in the Communist state's exit visa policy.

About 100 East German citizens are expected to resettle legally in West Germany this year, compared with the previous annual record of 41,000 in 1984.

The reason why so many East Germans are nonetheless seeking to leave unlawfully appears to be fear that they will not get a visa through legal channels and belief that the Hungarian hole in the Iron Curtain has created a unique, and perhaps short-lived, opportunity.

About 1,600 East Germans are said to have crossed the border since the barbed wire

was taken down in May.

A resolution of the problem at the East Berlin mission may be in sight after 10 of the occupiers agreed to leave at the weekend.

According to officials in Bonn, most of the rest will also go if they receive assurances that they will not be punished. The East German authorities have maintained that at least half of the 130 have never even applied for exit visas.

Mr Helmut Kohl, the West German Chancellor, said in a weekend newspaper interview: "East Germany cannot evade the reform process. Time is working against Mr Honecker (the East German leader)."

However, most West Germans are privately pessimistic about the short-term prospects for reform in East Germany. Similar pessimism inside East Germany is one explanation for the increased exodus.

According to a West German intelligence report, nearly 10 per cent of East Germans want to leave the country, which has a total population of 16.5m. The report claims that between

1m and 1.5m East Germans have applied to leave the country.

Most of them have higher than average qualifications and come from the industrial south of the country from towns such as Dresden (70,000 out of 520,000 residents) or Karl-Marx-Stadt (35,000 out of 315,000).

Mr Stefan Heym, East Germany's best-known writer, said on West German television that the exit wave could destroy the country but that added that East Germans "are fed up with being treated like children" by the orthodox Communist regime.

Western diplomats say despite the dismantling of the Iron Curtain in Hungary and increased travel in Poland, Hungary and the Soviet Union, the East Germans refuse to travel on the Berlin Wall.

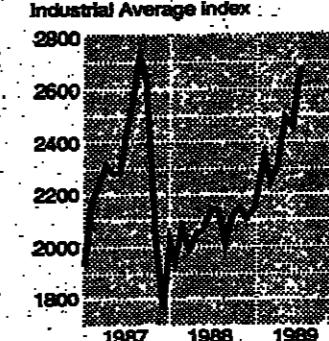
Honecker can't afford to blink on this one, his whole prestige is staked on it," said one. The Communist Party leader was security chief in 1961 and supervised the wall building.

THE TEX COLUMN

Wall Street looks before leaping

Dow Jones

Industrial Average Index



gates reserves since Minerva's bid for Gold Fields, and since the disclosure in Tarmac's annual report that it plans to revalue its mineral resources at a figure double that exceeding the \$300m bid by last year's accords.

With road-building, the difficulty is gauging the political hype lurking in the \$12bn figure. Given the cost overruns that have plagued Eurotunnel, \$12bn may end up constructing far fewer motorway miles than now hoped. So far this year, the Department of Transport has let a mere handful of road construction contracts. Road building will feed through to order books, but the time-scale may be protracted.

As for aggregates, the high multiple the stock market gives to Bardon Group, one of the purest plays on dry-stone reserves there is, makes plain the issue's importance. The difficulty lies in convincing investors generally that balance sheet strength matters to stocks as cyclical and earnings-driven as the building materials sector.

Formula shares

Blue Circle's "formula share alternative" offered to Myson's shareholders may be a first in corporate finance, and as such it is an unwelcome addition to the British bidder's armoury.

The idea is that shareholders are given a fixed value, rather than a fixed number, of shares.

Last week's prediction from the National Council of Building Material Producers that output would fall 1 per cent next year was therefore more significant for its relatively optimistic sentiment than as a hard and fast guide to the future.

However, as p/e ratios have not been the main factor driving the market up, there is no reason why they should keep it there. Instead, the two things responsible for the rally are the idea that the economy is heading for a soft landing, and more important still, the lack of liquidity in the system.

As a result, both are a little shaky. Even though the latest US figures add to the happy picture of an economy that is growing a little even while inflation falls, it is still unclear whether recession has really been avoided, and if so, whether equities and bonds can both go on enjoying this fact.

Liquidity is an even worse reason for arguing that prices deserve to be where they are - a lesson that should have been learnt two years ago. The US market is shrinking at a rate of about 6 per cent a year, as companies borrow from the banks to buy up shares wholesale; a position that is not going to go on indefinitely. Of course, if the market is to turn back now, there is no question of a crash, and not just because

the battle intriguing are two newer forces at work.

One factor should be well-discounted: the downturn in the housing market, with its knock-on effect on bricks and plasterboard - and its direct impact on the housebuilding side of Tarmac in particular.

In the case of Blue Circle, however, there is no question of any fancy intentions. The primary offer is in cash with a loan note alternative, the deal is recommended, and the value of the share offer is lower than the cash offer. Had it not been for all that, the Takeover Panel would almost certainly have refused permission; it is to be hoped that it remains equally fussy about giving its approval in the future.

Sri Lanka slips towards the abyss

A feeling of terror has overtaken the island, reports

David Housego

HERE IS a sense in Sri Lanka of a country slipping towards the abyss. Two of the gloomiest assessments of recent days have come from the country's leaders.

President R. Premadasa, who launched his new Administration on a hope of no reconciliation eight months ago, said: "An atmosphere of sorrow, fear and terror has overtaken the country. In schools and universities, villages and towns, violent attacks and brutal killings (have) increased."

The bodies of 14 unidentified civilians were found at the roadside at Embilipitiya in the south on Saturday night.

space to opposition viewpoints in their coverage of the news. Such tactics have provoked a wave of resignations from the state broadcasting media by journalists. Security forces have been using force to get some journalists back to work.

Police and military sources

said on Sunday at least 35 people, including two policemen, had been killed in the past 24 hours. Reuter adds from Colombo.

The bodies of 14 unidentified civilians were found at the roadside at Embilipitiya in the south on Saturday night.

of Colombo - mean that the threat of death has crept closer to everyone's doorstep.

In the increasingly brutal battle between extremist organisations, including the Tamil Tigers in the north and the security and paramilitary forces, it is reckoned that more than 800 people a month are being killed throughout the country.

As it gains ground, the JVP's aim seems to be disruption that will eventually bring down President Premadasa's regime. Its ideological roots lie in a mixture of wounded nationalism, revolutionary anarchism, Marxism, and a romantic idealism of a village past that inevitably recalls Pol Pot's movement in Kampuchea.

Managers negotiate with anonymous JVP cadres who contact them by phone over the running of their enterprises. "It's the JVP that calls the tune," says the head of one state corporation.

To a visitor returning to the country after a gap of more than two months, the most striking change is that the violence has now spread its tentacles to Colombo and Kandy, the two largest cities that were until recently relatively isolated from it.

Terrorist killings, police reprisals and the dumping of often mutilated bodies by the roadside - five were recently found on the beach at Mount Lavinia, a middle-class suburb

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Lovell
for refurbishment

INSIDE

Seeking harmony for securities rules

The warning from Fed chairman Alan Greenspan (left) that "the nature and regulation of securities markets have been sufficiently diverse that a multilateral regulatory approach along the lines of the Basle agreement on capital guidelines for commercial banks may be difficult" might have put off a few faint hearts. But the International Organisation of Securities Commissions is preparing to grasp the nettle, and take a leading role in promoting greater harmonisation of the regulation of the world's securities markets. Page 17

Conventional wisdom upset
Everybody knows that bond investors hate inflation because rising prices for food or shelter destroy the purchasing power of a fixed income. Everybody knows they love falling prices because then their coupons and principal can buy more of everything. So, why did the US bond market fail apart last Friday? James Buchan investigates. Page 18

When humility pays dividends

It is generally assumed that the success of Japanese companies can be attributed to carefully devised strategies. Not necessarily so, says Michael Skapinker. In the Business Column he reports on research that suggests that this success has in fact been achieved through senior managers being humble enough to admit that they were wrong rather than sticking to pre-conceived notions. Page 28

Shifting focus

When the Bank of England published its latest quarterly bulletin last week it did not seem too concerned: its message was that adjustment in the economy was progressing as expected, although there remained some way to go. But if there was an area for worry the Bank seemed to agree that it lay in the labour market. Ralph Atkins looks at how the gils market is seeing these inflationary wage pressures replace concern about the consequences of excessive domestic demand growth. Page 16

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Economics Notebook

Boost for anecdote and surveys

EVERYBODY seems to agree that the British economy is slowing down. What remains unclear is whether it will achieve that much-hoped-for "soft landing" of distillation without stagnation or recession.

It is at uncertain times like these that economists become acutely aware that traditional economic indicators - which in Britain are often bad guides at the best of times - are inadequate.

This week sees publication of a host of economic numbers covering inflation, unemployment, output and monetary trends. But the most up-to-date will give indications of what happened last month, while some, such as the increasingly important average earnings figures, will reveal what happened in June.

Such historic perspectives are especially unhelpful with the economy in a state of change. After many years of robust economic growth in Britain, it has come as something of a surprise to realise that the slowdown will involve not just one turning point but many, affecting different sectors and regions at different times.

In these circumstances, the authorities and some City commentators have started paying greater attention to survey and anecdotal evidence.

The Confederation of British Industry says there has been a marked increase in interest in its industrial trends surveys in recent months. Last week's Bank of England bulletin appeared with references to the CBI industrial surveys and the investment surveys published by the Department of Trade and Industry. In reaching their conclusions, the Bank's economists have also been able to draw on the insights of the Bank's regional offices, which keep close contact with industry.

It is probable that such anecdotal evidence has been under-estimated for far too long.

One can only speculate on what would have happened if the Treasury's economy watchers had been briefed to keep an eye on events around them in the boom year that followed the last election.

Would they, for example, have woken up earlier to the inflationary potential of equity withdrawal from the housing market if, about 18 months ago, they had taken note of a sudden rash of advertisements in newspapers urging homeowners to "unlock" the value of their homes?

Anecdotal evidence needs to be used with caution, however. The Chancellor's policy of squeezing demand with high short-term interest rates has partially reversed the old north-south prosperity divide, leaving more spending power in the less heavily mortgaged north.

In addition, it has increased generational differences in disposable income so that consumer demand will not be totally depressed, even in the south-east.

Households where the mortgage is paid off and the children have left home are profiting from increased returns on their savings. Perhaps that is why most of the proud owners of G-registered cars, shown collecting them from dealers in the early hours of August 1 on a recent television news bulletin, appeared to be well-intended.

The increased appetite for survey evidence about the economy is being met by increased supply. Dun & Bradstreet, the American business information group, has added Britain to its international business optimism surveys. The CBI is planning surveys of business opinion in the financial

sector and is preparing the computer software to provide a regional breakdown of its industrial trends survey.

Soviet appetite

The Soviet Union's growing appetite for hard currency is beginning to show up in official figures.

The latest Bank for International Settlements quarterly report - published just days before last week's startling news that the Soviet Union

plans to pay its farmers in hard currency for extra grain and oilseed production - revealed big increases in Soviet borrowing from commercial banks in the industrial countries in both the final quarter of last year and the first three months of 1989.

The amount of Soviet bank debt outstanding increased from \$33.1bn last September to \$36.8bn in December and \$38.6bn at the end of March.

Perhaps significantly, Soviet deposits with Western banks dropped in the most recent quarter to \$14.85bn from \$15.3bn at the end of last year.

Western bankers do not seem worried so far, partly because the increased lending may reflect a number of bilateral credit arrangements in the last two years between the Soviet Union and trading partners, including West Germany, Italy and Britain.

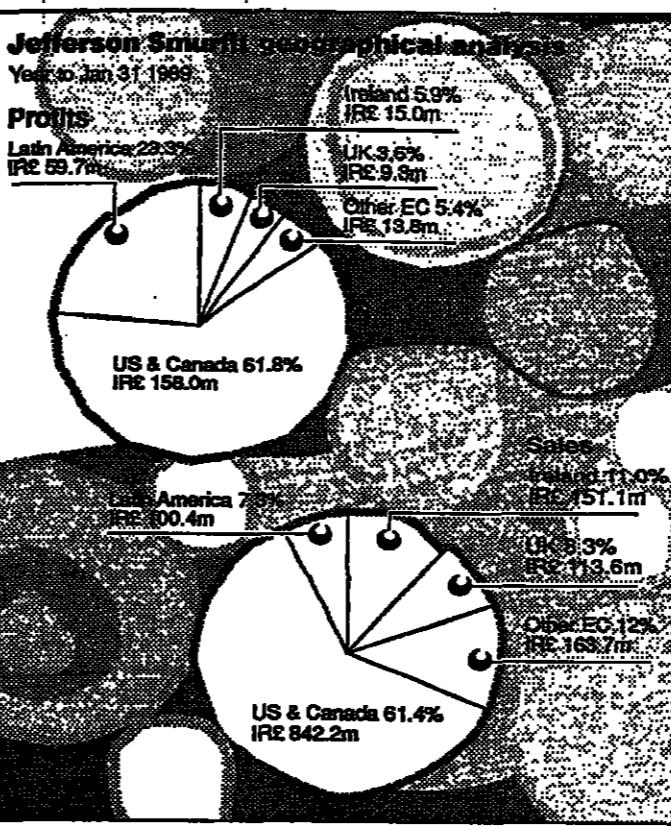
However, only two months ago, Mr Nikolai Ryazikov, the Soviet Prime Minister, said his country needed to borrow an extra \$14bn this year alone to service its hard currency foreign debt. More recently, Mr Nikolai Shmelev, a radical economist and member of parliament, said the Soviet Union needed \$30bn over the next two or three years to avoid ruin.

Peter Norman

FINANCIAL TIMES

COMPANIES & MARKETS

Monday August 14 1989



\$250 a ton in 1985 to \$410 now, according to Mr Robert Bishop, an analyst at Salomon Brothers.

Smurfit's managers, under Mr James Malloy, chief US operating officer, were quite ruthless. Employees were fired in droves. Costs fell as prices were rising. Containier's profits rose sharply - to \$127m last year - and the company was able to pay off nearly half its debt. The silver of \$70m in equity soared in value.

Investors in a typical leveraged buy-out in the US usually seek to cash in their equity profit by selling shares to the public. But Smurfit and Morgan Stanley are taking a more ambitious route. They want to combine Containier Corp with JSC, and then leverage the combined business so deeply they can take out \$1.5bn in cash dividends.

This is leveraged buy-out Number Two and it works like this. A new company, owned by Smurfit and a new group of Morgan Stanley investors, will buy the manufacturing businesses for about \$3bn. They will raise this money from bank loans and junk bonds secured against the assets of the combined manufacturing business.

About \$650m of the \$3bn will be needed to pay off the lenders to the Containier Corp buy-out and \$300m to buy out the 22 per cent minority in JSC. But that still leaves a lot of money for the equity owners of Containier Corp. Morgan Stanley plans to take home some \$140m, its investors \$360m and Smurfit \$1bn, a part of which will have to go back in as equity in the new company.

There is a risk that the new company, which will be highly leveraged, might fail if the North American paper markets turn down. But for Smurfit in Ireland, the tangible risk is limited just to its equity stake, which will probably

be about \$100m. If the new company fails, the banks and new junk bondholders will have no legal recourse to Dublin. "Under no circumstances can the Jefferson Smurfit Group be on the hook for the new company's debt," Morgan Stanley said.

With its new \$1bn war chest, Smurfit could theoretically launch leveraged buy-out Number Three. With \$1bn in equity, Smurfit could borrow enough to buy, say, a company as large as International Paper, the world's largest paper company, which is valued in the stock market at \$6bn.

Many analysts believe that the North American paper cycle is indeed about to turn down and that this helps to explain the apparent shift in the company's focus towards Europe.

Mr Holmes said the company's "war chest" would be used to build up a network of European businesses sticking to areas Smurfit knows best - corrugated and carton board, box making and recycling waste paper.

The prospect of 1989 has already caused one big European merger, that of Carnaud and MB, two packaging groups which concentrate on cans and plastic packaging. In paper packaging, Svenska Cellulosa of Sweden has made a string of acquisitions and now claims to be the leading corrugated cardboard maker, with 10 per cent of the market.

In the interview last week, Mr Kilroy said: "In a sense, the whole world is our oyster. We've done well in the US relative to our other operations in Latin America and Europe. We want to grow in Europe in particular at a quicker rate to achieve a better balance. We've never done a hostile deal. But as you can imagine, we are getting a lot of proposals. Our 'phone is already ringing."



future progress with the external deficit will be harder.

This may still be concealed, except from students of the small print. The growth of the Japanese "transplant" car factories, which has reduced imports by nearly 11 per cent this year, helps to mask slow progress by US-owned industries; and the quarterly current account figures are now "improved" by an estimate of spending by US tourists abroad and foreign tourists here.

It is based, as you might have guessed, on a sample survey.

Why Wall Street finds the news confusing

By Anthony Harris in Washington

The financial markets put up what is becoming a typical performance on Friday. Stocks and bonds both rose sharply on the first announcement of fall in producer prices and a recovery in retail sales. By the end of the day they had gone sharply into reverse, with the Dow-Jones index swinging through 50 odd points between its high and its low.

This kind of double-take is often put down to program trading: a sharp rise can easily trigger automated profit-taking. However, there is another reason for second thoughts, which is just as common: reading the small print.

On Friday the small print was down to one small letter: an "i" printed at the top of the Commerce Department's figures for retail sales in May and June, meaning that the figures had been revised (as they always are). You had to look up the previous

statistical releases to discover that these were no niggling revisions. May had been revised up by \$2.2bn (\$1.4bn) from the first guess, and June by \$1.7bn.

These changes quite transform the picture of sluggish retail sales in recent months. The announced changes in sales in the last three months add up to growth at an annual rate of 3 per cent. Take in the revisions, and it goes up to 8 per cent. Since the figure is still almost certainly to be revised upwards, this is no doubt still an under-estimate.

The first figure means falling real volumes, and a further rise in saving; the second, after taking in price changes, means a solid rate of real growth, and probably falling saving. Quite a change: more than enough to justify the double-take.

The backroom analysts who drew attention to these figures were able to add confirming evidence - the recent employment figures (again affected by sharp

upward revisions on job creation), the falling claims for unemployment benefit, the revival of housing sales; the current joke is that this is not so much a soft landing as a soft take-off.

It is easy to blame the bureaucracy for generating this statistical fog, and fashionable to blame their shortcoming on low official pay. This is indeed a problem in the higher reaches: the US Treasury, especially, is looking hollowed out, as one key expert after another leaves the public service to earn twice as much with a bank or an accounting firm with an office in Washington.

However, Congress and the markets must share the blame. Congress prescribes by law the figures which must be published, and it insists on early snapshots of figures which would be hard to collect in any economy, and are especially hard in this huge, individualistic market, where filling in official forms is a low priority.

It is a well-known rule that the quicker the statistics are compiled, the bigger the errors will be.

The markets are to blame for not reading the label on the product: the advance retail sales figures, it says clearly, "are based on early reporting by a small sub-sample of the Bureau's retail panel" - an opinion poll to forecast an opinion poll. The officials do well to keep revisions down to an average of about 1 per cent - three times as accurate as political polls.

But once the corrections are made, is the picture clear? There is another kind of polling which still speaks of a pretty soft economy - the surveys of purchasing managers and plant managers, and the reports from the regional Federal Reserve banks. It was these reports which provoked the original boom in the bond market, while the equity market continued to float on a flood of buyout money; and they are still trying to send some important messages.

The first is that the US economy is now working more comfortably within its capacity; that is borne out by reports showing lower levels of plant utilisation and quicker deliveries: no overheating. The second is that there are still some real soft spots: the automobile market, which accounts for a fifth of all retail sales, and the computer market. It is worth remembering too that the "bullish" employment figures owe as much to demography as to the demand for labour.

Finally, remember that the great export boom is now cooling off, by all accounts, statistical and survey. It was bound to happen at an annual rate of more than 20 per cent, and US companies are still discovering the joys of exporting in growing numbers.

There is nothing much to suggest that the dollar is anywhere near being over-valued again; but

August 1989

BSN

through its wholly owned subsidiary

Brasseries Kronenbourg S.A.

has acquired majority control of

Henninger Hellas S.A.

The undersigned initiated this transaction and acted as financial advisor to BSN.

Salomon Brothers International Limited

UK COMPANY NEWS

Ward White lifts forecast to £34m

By Philip Coggan

WARD WHITE, the retail group which is resisting a £500m offer from Boots, yesterday produced an interim pre-tax profits estimate of £34.2m, a 23.5 per cent increase on the same period last year, thanks partly to acquisitions.

The estimate for the six months to July 31 tops the £33m the group forecast last month and Ward White gives, as promised, a detailed breakdown of the figures.

Halfords, the autoparts and bicycles chain, performed best with operating profits rising 56 per cent to £9.7m, on sales 29

per cent up at £110.2m. The chain opened a further 20 superstores, bringing the total to 114, sales on a comparable square footage basis, grew by over 15 per cent.

The home DIY products division benefited from the first full time contribution from A G Stanley. Sales at Payless, the DIY chain, increased only because of the opening of new stores; they fell on a like-for-like basis. Operating profits for the division rose by 23 per cent to £19.2m on sales 36 per cent higher at £181.3m.

On Friday, Ward White said it had been unable to construct

series division, which included a first time contribution from R & S Strains, increased operating profits from £6.1m to £7.5m on sales which rose to £35m (£45.1m). Sales at Whitlock and Rose Auto improved 6 per cent in dollar terms.

Property profits doubled to £2.4m. Earnings per share rose 17.4 per cent, boosted by a tax charge reduced mainly by the release of deferred provisions.

The directors are forecasting a final dividend of 10.1p (7.5p), making a total of 13.7p (10.5p).

On Friday, Ward White said

it had been unable to construct

Randsworth finishes with £7.6m

By Paul Cheeseright, Property Correspondent

RANDSWORTH Trust, the UK quoted property company which last month accepted a £28m offer from JMB Realty Corporation of Chicago, announced a pre-tax profits increase of 16 per cent for the year ended June 30 1988.

The figures are double those last from Randsworth as an

independent company. Profits were £7.64m, against £6.58m the previous year, producing fully diluted earnings per share of 9.82p compared with 6.23p.

There is no final dividend, leaving the 1.5p interim as the year's total (2.5p).

Fully diluted net asset value

per share was 218p as forecasted at the time of the take-over announcement. This is 7p less than the offer by JMB.

Randsworth had a net rental income of £12.7m in 1988-89, compared with £13.4m, and property dealing profits were down to £5.7m from £11.15m.

COMPANY NEWS IN BRIEF

CHEMEX INTERNATIONAL is delaying publication of the interim results until trading in the shares is restored.

DCC VENTURES is increasing its investment in Sharpext, Dublin-based office automation products supplier, by £4.7m to finance the acquisition of Micro-Peripherals, a UK-based office automation company.

The investment will increase DCC's stake in Sharpext from 20 per cent to 45.83 per cent.

ENCON is to acquire the privately-owned RGS Insulation Group for a gross consideration of £3.6m. RGS is one of the major insulation distributors in the US with a turnover of £14m.

HALMA has completed its £1.8m acquisition of Thames Side Scientific, the Reading-based scientific company. Consideration is the issue of 1.1m shares and £150,000 cash. A further profit-related payment maybe made to a maximum of £1.1m in shares.

HANSON says its SCM Chemicals is to spend \$67.5m on doubling the capacity of its titanium dioxide plant at Ashtabula, Ohio, to 107,000 tons.

HIGHGATE & JOB Group: Directors say they have received no approaches and have no knowledge of any offer for the company.

HOBBSON has sold the Images Club, its health and leisure club near Birmingham, for £250,000 cash. The sale also releases £200,000 of borrowings.

LILLEY CONSTRUCTION has sold its Arabian Gulf operation to a management buy-out team for a total £1.1m, being net asset value. The business, which had a turnover of £4.2m in 1988, is primarily engaged in drainage and sewerage work.

LONDON INTERNATIONAL Group has acquired Miniprints, a photoprocessing company servicing state agents' accounts in Scotland and the north of England and Lancashire, which serves pharmacists and photographic dealers in central Scotland. Consideration for Miniprints was £2m, satisfied via the issue of 647,131 shares and £200,000 cash and for Discprint £240,000 cash.

KWIK-FIT Holdings has acquired DC Exhausts, with 9 centres in Southern Ireland

and Superfit Tyres and Exhausts with 4 centres in Northern Ireland. The acquisition brings the total number of Kwik-Fit centres in Europe to 67.

HOOG ROBINSON & Gardner Mountain is selling its interest in the business of C. Howard and Partners, the school feed agency, for £451,000.

MARINES PETROLEUM: Rights issue been taken up in respect of 40.53m shares representing about 74 per cent of the issue.

MEYER INTERNATIONAL, through its Florida-based subsidiary Stothemyer and Shoemaker, has acquired the merchants and timber business of Old South Lumber in Palmetto.

The purchase, for about £1.5m in cash, includes three acres of land.

NO PROBES: The Trade Secretary has decided not to refer the following proposed acquisitions to the Monopolies and

Mergers Commission: Tilbury Group by Lilley, Steeley's acquisition of 75 per cent of Callet Group, Reed International of Independent Television Publications and MacGregor of Aberdeen Glass & China

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MEYER INTERNATIONAL, through its Florida-based subsidiary Stothemyer and Shoemaker, has acquired the merchants and timber business of Old South Lumber in Palmetto.

The purchase, for about £1.5m in cash, includes three acres of land.

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INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Buy-out woes fail to dampen bank enthusiasm

THE well-publicised woes of several management buy-out financings have failed to dampen bankers' general enthusiasm for the product which yields higher margins and fees than anything else around.

On Friday, Bankers Trust, lead banker for Magnet's \$532m debt financing, sent shockwaves through the loans market when it announced it would withdraw the deal from syndication, leaving the nine underwriters holding much more debt than they had expected. In explaining its reasons, Bankers Trust said the move was made "... in light of various circumstances affecting the financing market for loans to this particular sector of borrowers, particularly the widely publicised difficulties experienced recently by transactions viewed by the market as being comparable."

Magnet's bankers had been trying unsuccessfully for about a month to syndicate the loans.

Similarities, bankers said, the question of price marred the ability of Coloroll to arrange an MBO for its MDC carpet distribution business. Had Coloroll offered to sell the unit at a lower price, bankers would have happily joined in the financing, despite the sensitivity of the sector to high interest rates.

Bankers also remain enthusiastic about the financing for the buy-out of Gateway, to become the UK's largest, citing the resilience of food retailing to slowdowns in consumer spending. Even when the economy is poor, people will continue to buy food, but carpets and kitchens are easily dispensed with, bankers reason.

But data from the University of Nottingham's Centre for Management Buy-out Research (CMBOR) suggest that relatively few buy-outs occur in the retailing sector. Data through the end of 1988, the most recent period available, show MBOs of retail distribution and repair companies accounted for only 5.41 per cent of all business from 1983 to date. In contrast, the business and other services category accounted for 13.56 per cent of all activity while mechanical and instrument companies accounted for 12.33 per cent.

"The retailing sector has been hit with a double whammy," said one banker. In short, while rising interest rates have increased the cost of borrowing for many companies, they have also had the effect of reducing consumer purchases. So while expenses are rising, sales are falling — a bad combination in any event. But news that several recent

mammoth MBOs in the home products business have fallen on hard times notwithstanding, banks are apparently still eager to earn the hefty fees and mammoth margins available on the transactions.

Indeed, Charterhouse, which last week announced it was ceasing efforts to arrange a MBO for Ward White's DIY business, said it believed it had come up with a "bankable" plan that lenders would have happily backed. However, seen in the context of an MBO for the entire company — which is fighting off a hostile bid from Boots — the deal was not saleable. In order for an MBO of the entire company to have worked, Ward White would have had to sell the DIY businesses of its Payless and Fads subsidiaries at a price so high the sales would not have comfortably covered the debt service and other expenses.

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INTERNATIONAL LOANS

Swiss franc bullet issue hits difficult target

LAST Friday, the Swiss franc foreign bond market witnessed an issue which, at any other time might have been seen as a sign that the bleak situation of earlier this year was improving.

A swap-driven bullet-maturity SFr100m five-year private placement was launched by Deutsche Bank (Suisse) for Abbey National Treasury Services. It would be hard to imagine a combination that might better indicate the health of the market — a foreign borrower, a foreign lead manager, and a swapped straight deal all implied that the market's recurrent problems might be over. The truth is rather less

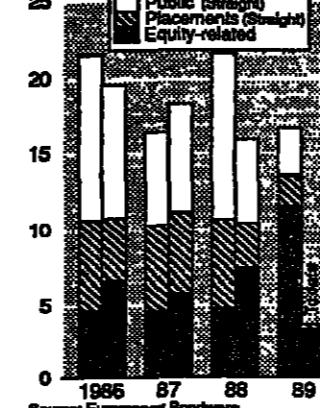
The Abbey deal, which was swapped into floating-rate US dollars, had an acceptable reception, and was quoted by the lead manager at around less 1 1/2%, a discount just outside fees to co-managers. There were reports of demand from Swiss institutions and some German banks. Deutsche Bank even said it had had less trouble syndicating the deal than it had anticipated.

However, the straight sector of the market remains in the shadow of its equity-linked rival, and economic fundamentals look like keeping it there for the rest of this year. The yield curve remains sharply inverted, offering investors little incentive to put their money into fixed-rate instruments.

Norma Cohen

Swiss Franc Foreign Bonds

New issue volume (SFr bn)



Source: Swiss Bondholders Association

were launched. This year, the figures are seven issues worth SFr800m.

The chart shows the extent of the swing in favour of equity-related deals. Straight issues in both the public and private placement sectors have declined markedly, particularly in 1988.

As the Tokyo market has resumed its upward march and the Swiss domestic equity market rallied to its pre-crash high, demand for Japanese equity warrant and convertible bonds was tempered only by the increase in funds being committed directly to the equity markets. Last week, for example, saw Citicorp's equity warrants deal for Furukawa Electric trade very strongly in both its cum-warrants and plain warrants forms.

In addition, there is a growing market for covered warrants, a sector which is developing rapidly. Advocates point to an increasing internationalisation of the market, with deals for Japanese, American and other borrowers becoming typical.

Nevertheless, many syndicate managers and new issue traders think there is more demand for fixed-rate bond deals than might be apparent from the lack of volume. "If you can bring a strong borrower with realistic pricing, then you will find buyers," said one trader.

Given this, the ultimate debacle of the IBM Interna-

tional Finance SFr140m three-year deal launched on 19 July by Swiss Bank Corporation is increasingly being seen as a significant missed opportunity.

On the day of launch, most reports concentrated on the fact that this was the first triple-A rated straight issue for a corporate borrower since May 1988, and added that this had been the cause of considerable celebration. There was limited comment that the deal might be in some sort of trouble.

What the market has to hope is that the IBM deal will not deter future borrowers, and that investors can be persuaded that there is real value in the Swiss market.

To some extent, the market's fate lies with the economic fundamentals mentioned above. However, cynics add that there is still a primary need to break down some of the barriers which have protected the market for years.

Andrew Freeman

EUROMARKET TURNOVER (\$m)

Primary Market	Straight	Conv.	FIN	Other
US\$	520.0	40.0	20.0	6,240.8
Conv.	10.0	0.0	0.0	1,200.3
Other	1,928.1	0.0	118.8	4,389.1
Prev	1,242.9	0.0	42.1	2,242.4

Secondary Market	US\$	Conv.	FIN	Total
US\$	19,861.2	1,424.0	7,261.2	6,425.5
Conv.	12,500.2	0.0	3,527.2	4,917.7
Other	19,520.6	1,474.1	3,934.7	5,474.8
Prev	15,543.2	0.0	3,683.5	5,057.7

Week to August 10, 1989

Source: AIBD

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nisshin Steel [†]	400	1993	4	3 1/2	100	Nomura Int.	3.750
Nisshin Steel [†]	200	1993	4	3 1/2	100	Yamalchi Int. (HK)	3.750
Nippon Sanso KK [†]	400	1993	4	3 1/2	100	Yamalchi Int. (Fur)	3.750
Tokyu Car Corp. [†]	130	1993	4	3 1/2	100	J.P. Morgan Secs.	3.875
EDF ^(d)	50	1999	9 1/2	9 1/2	105 1/2	EDF ^(d)	8.443
Vitamin A ^(g)	37	1993	4	20bp	100.10	Nippon Credit Int.	8.888
Thailand, Kingdom of ^(k)	200	1999	10	8 1/2	100	Salomon Brothers	8.888
Asahi Breweries [†]	100	1993	4	4 1/2	100	Nomura Int.	8.888
Eg. Nat. de Paris(n) [†]	50	1994	5	8 1/2	101 1/4	BNP Capital Markets	8.185
AUSTRALIAN DOLLARS							
GMAC Australia [†]	50	1993	4	15 1/2	101 1/2	Deutsche Bk Cap.Mkt.	14.624
UBS Finance [†]	75	1994	5	14	101 1/2	UBS Phillips	

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Prices data confound bond traders

EVERYBODY knows that bond investors hate inflation because rising prices for food or shelter destroy the purchasing power of a fixed income. Everybody knows they love falling prices because then their coupons and principal can buy more of everything.

Last week was different.

Early on Friday morning, the Federal Government announced that producer prices in July fell 0.4 per cent. This is the biggest drop for three years and comes after a fall of 0.1 per cent in June. Producer prices are not consumer prices but, in normal times, this disinflationary report should have sent the bond market through the roof. But between the middle of the morning and the late afternoon, the bond market fell to bits. Short maturities fell by the best part of a point while the long bond went back to yielding over 8 per cent. The stock market also dropped sharply.

Admittedly, Wall Street was in poor shape to take any sort of setback because the trading houses were still full of new bonds from the Treasury's quarterly auction earlier in the week. The sales of three-year and 10-year notes were ill received on Tuesday and Wednesday. Thursday's auction went better but that was not least because many traders had sold the market short and were forced to buy back in when Japanese buyers suddenly surfaced. By Friday morning, the market looked like an accident waiting to happen.

Even so, the sharp fall in bond prices was bizarre.

It now appears that for much of July, the bond market really was betting that the US economy would slide into recession, businesses would fail, people

would be thrown out of work and prices all over the economy would fall for lack of demand. It was with this prospect in mind that investors drove the long bond yield under 8 per cent in the last week of July. The past week has shown the market has given up this optimistic view.

As Mr Robert Brusca, an economist at Nikko Securities, put it on Friday: "The bond market is looking for a recession and it's getting a slowdown."

The turning point in market thinking occurred not last Friday but the Friday before when the Labor Department reported unexpected increases in employment for the early summer months. This dealt the recession prognosis one blow. The second sell-off on Friday in figures of retail sales in July that followed the producer price data.

There was nothing particularly alarming about the July retail sales figures, which showed an increase of 0.9 per cent last month while the figures for June were revised upwards. Leaving aside sales of automobiles, which rose sharply from a weak June as Detroit tried to clear its inventories with special discounts, retail sales were up just 0.4 per cent. Consumer confidence, as measured by the Conference Board, is higher than at any time since 1980 — since Woodstock, indeed, as Smith Barney commented wistfully. But though bond investors might deplore this getting and spending, they cannot really complain that it is leading to price rises; the producer price report showed to quite convincingly there was nothing to worry about on that front. As Griggs & Santow, the money market analysis firm, said with its usual judiciousness: "The consumer is still able and will-

ing to spend. At the same time, the weakness in the economy, no inflation and a strong dollar. There has got to be a possibility for easing."

None the less, it is almost unthinkable that the Fed will ease before the meeting of its open market committee on August 22, and not very likely then. Equally, it is hard to see long-term yields falling below 8 per cent again unless the recessionary camp can come up with some more convincing evidence.

There remains one market anomaly. The stock market, though it has failed to close above all-time highs, is certainly not expecting a recession in the near future. Nor are the foreign exchange markets.

The bulk of investors in Treasury bonds. But the market for the \$200bn in low-grade corporate debt, or junk bonds, remains deeply depressed. With their leveraged balance sheets, junk bond issuers are much more vulnerable to a recession than blue-chip corporations or, naturally, the Treasury. But this scarcely justifies the yawning yield spreads in the junk bond market. Either the junk bond market knows something the other markets don't, or junk bonds are a buy.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 weeks ago	12-month High	12-month Low
Fed Funds (highly averaged)	9.00	8.67	9.00	10.00	6.27
Three-month Treasury Bills	8.18	8.11	7.95	9.55	7.42
6-month Treasury Bills	8.05	8.11	7.65	9.55	7.42
12-month Treasury Bills	8.03	8.05	7.95	9.55	7.42
30-day Commercial Paper	8.70	8.60	8.05	9.70	6.25
90-day Commercial Paper	8.45	8.40	8.75	10.05	6.45

US BOND PRICES AND YIELDS (%)

	Last Fri	Change in pt	Yield	1 week	4 wks
30-year Treasury	99	-5	8.07	7.93	7.99
20-year Treasury	100.5	-15	8.20	8.05	8.11
10-year Treasury	100.4	-10	8.11	8.07	8.04

Source: Salomon Brothers (estimates).

Money supply: In the week ended July 31, M1 rose by \$0.1bn to \$778bn.

NRI TOKYO BOND INDEX

	PERFORMANCE INDEX				
	December 1983 = 100	Average	Last week	12 wks ago	26 wks ago
Overall	109.92	5.62	149.08	149.14	148.49
Government Bonds	150.17	4.91	150.28	149.41	149.21
Municipal Bonds	152.54	5.37	152.54	151.95	151.95
Gov.-guaranteed Bonds	143.83	6.19	143.66	141.87	141.51
Bank Debentures	147.27	5.27	147.27	145.95	145.95
Corporate Bonds	156.15	6.11	156.99	154.10	152.75
Government Foreign Bonds	156.15	6.11	156.99	154.10	152.75
Government 10-year	5.00	4.48	5.05	4.88	

Estimated per yield

Source: Nomura Research Institute

All these securities having been sold, this advertisement appears as a matter of record only.

The Peninsular and Oriental Steam Navigation Company

£100,000,000

11½ per cent. Bonds 2014

Issue Price: £99½ per cent.

Underwritten and placed by

Barclays de Zoete Wedd Limited



BARCLAYS de ZOETE WEDD

UK GILTS

Wages fears oust those on demand

PROBABLY no great significance was meant but certainly it was symbolic. Illustrating the front page of the Bank of England's short guide to its quarterly bulletin last week was a chart showing the rapid acceleration in unit wage costs in the past year.

Gradually, the gilts market is seeing fears about inflationary labour market pressures replacing concern about the consequences of excessive domestic demand growth.

Official retail sales figures last Monday showed the annual growth rate at a seven-year low. If that was not enough evidence of a slowdown, today's Confederation of British Industry/Financial Times distributive survey must be the clincher.

Instead, attention has begun to shift towards damaging cost pressures — most particularly from higher costs of labour for each unit of output.

The Bank itself appeared relaxed when its bulletin was published on Thursday — perhaps, some suggested, even a bit smug. The message was that adjustment in the economy is progressing as expected although there remains a long way to go. It emphasised that interest rates will have to remain high for some time, at least until the direction in which the economy is turning becomes crystal clear.

In other words, a cut in base rates to coincide with the ruling Conservative Party's conference in October is unlikely to be justifiable — at least on economic criteria. At the same time, the worst of the bad news has probably past.

But there was an area for concern about the domestic economy then, the Bank seemed to agree that it lay in the labour market. Rising unit wage costs in the service sector, it warned, could be the economy's "Achilles heel".

Bank estimates put current growth in the private sector as high as 8½ per cent a year.

That said, the Bank went out

of its way to emphasise that wage settlements were not high compared with what might be expected. With the August retail price index, (published in September) expected to show a fall from July's (due on Friday), inflationary perceptions should be lowered, moderating pay demands.

The Bank's sanguine outlook

for the labour market is consistent with its prediction that the Public Sector Debt Repayment (PSDR) in 1989-90 may be less than the 214m forecast in the Budget. Although the Bank specifically pointed to the take-up of personal pensions as depressing the surplus, slower growth in earnings also means less tax receipts.

The difficulty is going to be stopping the momentum that has already built up on the pay front. Latest results from the CBI's pay database show settlements in manufacturing edging higher in each of the last four quarters. In private sector services, settlements are probably running at the highest rate for eight years.

If settlements pick up still further, not only might the PSDR be greater than expected, but the outlook for inflation will also be worse than many are currently predicting.

THE Bank of England's bulletin is also a cue for gilts market analysts to reach for their calculators. The statistical data it included showed the size and composition of the Government's buying-in operation in the first three months of the current financial year.

The figures show that purchases totalled almost £2bn. That was lower than the £23.75bn bought in the last quarter of the previous financial year, but nevertheless substantial. The authorities, it appears, were anxious not to repeat last year's performance

when they had to rush purchases to approach the target of full compensation for the PSDR over the financial year.

How much more will be needed to be bought in over the remainder of the 1989-90 financial year depends partly on assumptions about the size of the PSDR and the effect of intervention on the foreign exchanges. Estimates vary from about £24m to £35m.

Even if the larger figures prove nearer the mark, it still means a disproportionately large share of this year's buying-in has already occurred.

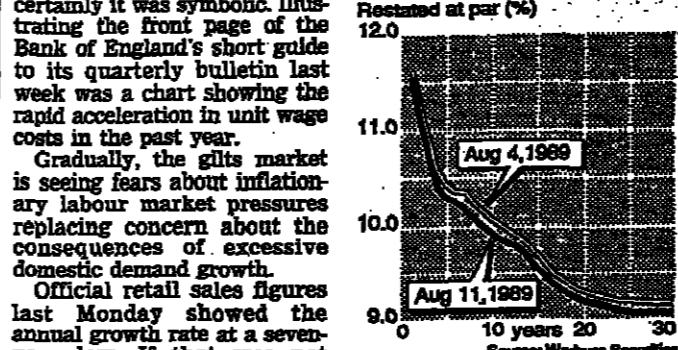
That removes some of the support underpinning prices, leaving the market more vulnerable to bad economic news.

No clear signals emerge about the composition of the buying-in. The authorities reverted to buying mostly medium (five to 10 years to maturity) and long-dated (more than 15 years) stocks with £1.6bn and £1.31bn respectively.

Purchases of short-dated stocks, which reached £1.22bn in the last quarter of 1988-89 were negligible. Suggestions that the authorities were buying short-dated stock in order to give hints about the direction of base rates should therefore be dispelled.

If there is a lesson, it is that the authorities are not relying on science but that their main concern is to buy cheaply.

Ralph Atkins



Source: Zoete Wedd Securities

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The Bank's sanguine outlook

FT/ABCD INTERNATIONAL BOND SERVICE

	US	Canada	UK	Germany	France	Italy	Spain	Australia	New Zealand	Japan	Other	Total
US DOLLAR	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
ABR. 81.91	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NETHERLANDS 81.91	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
NETHERLANDS 81.91	100.00	100.00	100.00	100.00</								

INTERNATIONAL COMPANIES AND FINANCE

Calls to bring watchdogs into line

David Lascelles on moves to harmonise securities rules worldwide

For years, practitioners and regulators of the securities business have been calling for greater international consistency in securities regulation.

In particular, there have been calls for a "Cooke Committee", for the securities industry - a reference to the Basle-based group of international banking supervisors which has been working for more than 15 years on a global regime for the banking industry. Its work culminated last year in an internationally agreed set of rules for capital adequacy which, by general consent, has helped bring greater order and fairness to the world banking market.

The securities industry lacked a comparable body. Now the International Organisation of Securities Commissions (IOSCO) is preparing to take a leading role.

The proposals which the Montreal-based body will be putting forward at its annual conference in Venice next month will mark the first step in the creation of internationally agreed rules for the securities industry. These will reflect the growing internationalisation of securities markets in recent years - and the need for countries to be more consistent in their regulatory approach, and for regulators to be able to swap information to keep track of securities firms' cross-border dealings.

One of the officials close to the discussions said: "There is a real readiness on the part of regulators to go down a common road."

IOSCO's task differs in many respects from the Basle Committee's. IOSCO lacks - at present at any rate - Basle's authority. So it needs to proceed more cautiously to obtain consensus. And consensus will be more difficult to achieve because of the diversity of securities industries in different countries.

Mr Alan Greenspan, the Fed chairman recently told a Senate Committee that he supported harmonisation efforts. But he warned: "The nature and regulation of securities markets have been sufficiently diverse that a multilateral regulatory approach, along the lines of the Basle agreement on capital guidelines for commercial banks may be difficult."

IOSCO accepts that the work



Alan Greenspan supports harmonisation efforts

will be slow. But officials point out that it took Basle more than a decade to get where it is now, and even so its work is not complete.

Whatever emerges from the discussions will also be in the nature of a voluntary agreement, like Basle. But if the Basle pattern is any guide, countries which do not subscribe to it will be conspicuously ostracised by the rest, and risk acquiring a bad name.

IOSCO is a relatively new arrival on the international scene. Established originally as a forum for South American securities regulators, it has grown in the last few years to include all the major industrial nations. Today, it is the leading international body for securities regulators with 50 members, including the US Securities and Exchange Commission, the UK's Securities and Investments Board, the Securities Bureau of Japan's Finance Ministry, and France's Commission des Opérations de Bourse.

Two years ago it set up a technical committee to look into international regulatory problems. This was split up into several working parties, one of the most important of which was to look into the definition and maintenance of capital adequacy for multinational securities firms, and the exchange of financial data between regulators.

Its members include representatives of the 12 countries with the most developed securities industries: Canada, France, Australia, Germany, Hong Kong, Italy, Japan, the Netherlands, Sweden, Switzerland, the US and the UK. Mr

Greenspan supports harmonisation efforts

smaller entrants. One event which gave the working party considerable impetus was the October 1987 market crash. Although it happened only months after the group was formed, it showed regulators that they needed to co-operate - and could do so successfully.

More recently, though, they have also been keen to influence the growing debate within the European Community over the shape of the single market for securities. With an investment services directive now taking shape, they want to ensure that the EC regime is consistent with the approach taken by the IOSCO initiative.

Although all the leading EC nations are members of IOSCO, this was no guarantee that the EC would adopt the same tack. "There is a desperate need," one official said, "to ensure that rules in Europe are not developed which are wholly incompatible with those in the UK and the US."

One problem is that, in Continental Europe, the bulk of the securities business is conducted by banks. The IOSCO proposals specifically cover only non-banks. But there is a widely recognised need for banks and non-banks to be similarly regulated for reasons of competitive equality.

The IOSCO proposals are likely to receive a mixed reaction within the securities industry itself. Although many practitioners have backed calls for greater international harmony, others say they are worried that this sort of initiative will only create yet another layer of rules. Practitioners have not been invited to present their view to the IOSCO working party, and this could provoke a stronger reaction when they are laid before the public next month.

IOSCO officials are optimistic that their initiative will eventually produce substantial results. Aside from this working group, there are others looking at multinational share offerings, multiple listings, accounting standards, off-market trading, clearing and settlement, and futures markets.

"There is a great deal of determination on the part of securities regulators from all round the world to deal with these matters," said Mr Jean-Pierre Cristel, IOSCO's assistant secretary-general.

Corona wins battle for Ontario gold mines

By Robert Gibbens

in Montreal

CORONA Corporation has won the long battle for Canada's richest gold mines, which are in the Hemlo area of Northern Ontario.

The Supreme Court of Canada, upholding two lower court decisions, has ruled that Lac Minerals must hand over the Page Williams mine to Corona. It has estimated reserves worth between C\$6bn (US\$2.66bn) and C\$8bn. The legal battle over ownership began in 1981.

Responding to rumours that the retailer was in trouble, Mr Dayan said: "Receivership is completely out of the question. There is no crisis." He said the problem was essentially one of short-term cash flow and that the group's trading strategy was working better than internal forecasts.

Many retailers of such big ticket items as furniture, carpets and electrical goods have seen sales fall following the rise in interest rates and slowdown in the housing market.

Mr Dayan said he could not reveal details of the refinancing which is in the final stages of negotiation, but that the package would enhance the group's balance sheet.

It is thought by bankers that Lowndes Queensway will need perhaps £15m to £20m of new money and that some repayments to banks will be rescheduled.

The group planned to switch

Lowndes Queensway to unveil refinance package

By Maggie Urry

A REFINANCING package for Lowndes Queensway, the furniture and carpet retailer chaired by Mr James Gulliver, should be announced by the end of this week, Mr Eddie Dayan, managing director, said yesterday. The company was formed by the £450m leveraged buy-out of Harris Queensway last summer.

Responding to rumours that the retailer was in trouble, Mr Dayan said: "Receivership is completely out of the question. There is no crisis." He said the problem was essentially one of short-term cash flow and that the group's trading strategy was working better than internal forecasts.

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It is thought by bankers that Lowndes Queensway will need perhaps £15m to £20m of new money and that some repayments to banks will be rescheduled.

The group planned to switch

ture stores to the new formats by the financial year-end. Those which had already been changed were showing sales gains of 43 per cent in carpets and 23 per cent in furniture, sufficient to pay back the investment in eight months and one year respectively.

Last week Mr Gulliver and Mr Dayan met the group's larger institutional shareholders to explain the refinancing plans. These meetings went well, Mr Dayan said.

The refinancing will involve a shift of some medium-term debt to short-term debt. Sales of businesses and some shops had raised £91m in cash for Lowndes Queensway, most of which had been used to repay debt, he said.

The group had been on course to finish the financial year £30m ahead of target on the repayment of medium-term debt, Mr Dayan said, but was in need of a larger overdraft.

The medium-term debt is at fixed rates of interest of about 13 1/2 per cent, but overdraft rates are higher. However, the extra interest rate burden would not be large, Mr Dayan said.

• Ward White, Page 14; Euro-credits, Page 15

Accounting firms agree merger

THE US partners of Deloitte Haskins and Sells and Touche Ross, the accounting firms, have approved a merger, the firms announced last night, Reuter reports from New York.

Deloitte, the big Vancouver mining group, owns 50 per cent of Page Williams, under a 1985 agreement with Corona, and shares profits. It also will share in the repayments of development expenses to Lac.

The new firm will be known as Deloitte and Touche in the US and Deloitte Ross Touche in internationally. US employees will number about 20,000.

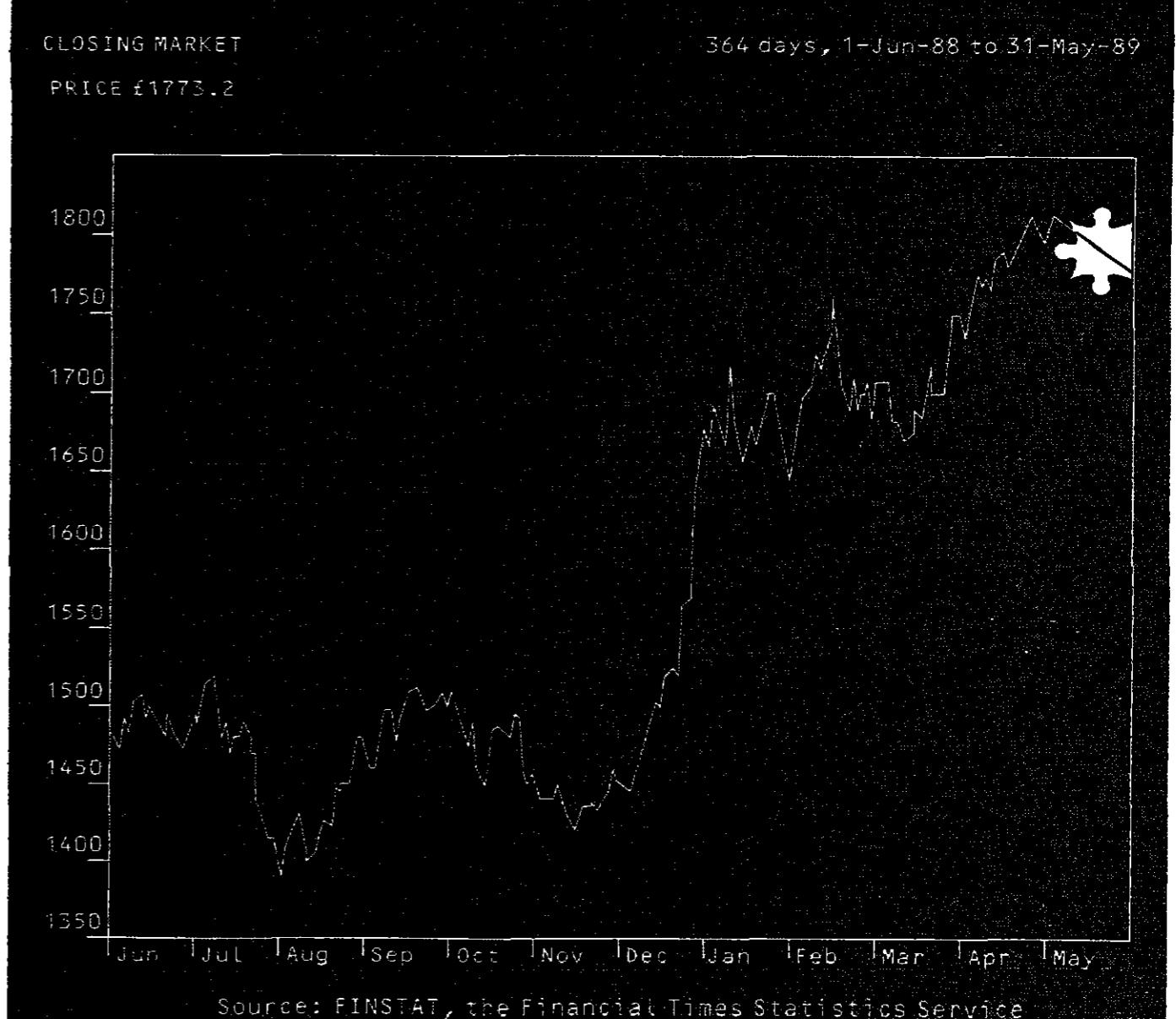
Mr Michael Cook, Deloitte chairman and chief executive, said: "The increased strength of the new firm in key European and Asian markets will enhance the resources available to meet our clients' needs as they respond to the economic unification of Europe targeted for 1992 and the opportunities in the Pacific Rim."

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A brief extract

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Pen-Stewart (Ivory)	120.5	126.9	40-0822	Universal Euro Equity	132.8	134.8	4-2629-3	U.K. Income (Cap)	116.6	116.6	14-7
Pen-ES Finsular & Co.	97.0	102.2	40-0822	Universal N. Amer.	123.6	130.1	4-2634	U.K. Income (Accr)	209.6	209.6	22-4
				Universal Japanese	104.9	118.4	4-2635	Euro. Div. Recovery (Accr)	116.6	116.6	

Continued on next page

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Market	City	Stock	Div	Yield	Yld/Last	Dividends	City	Stock	Div	Yield	Yld/Last	Dividends	City	Stock	Div	Yield	Yld/Last	Dividends
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26. Alfa Romeo	119	1.3	1.3	1.3	1.3	1.3	26. Alfa Romeo	119	1.3	1.3	1.3	1.3	26. Alfa Romeo	119	1.3	1.3	1.3	1.3
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CURRENCIES AND MONEY REVIEW

Short pound expensive on present view

THE COMBINATION of a stronger currency and lower interest rates does not represent an ideal response to current concerns and a different balance would be desirable if it could be achieved. This is a quote from page 162 of the Bank of England quarterly bulletin.

If this comment seems out of line with present conditions, it should be pointed out that it comes not from the most recent bulletin, but from a quote of May 1988 when sterling was putting up to around \$1.70 and DMs 2.90 and London interest rates were below 8 per cent.

There has, of course, been something of a turnaround since then, with the pound weakening and interest rates rising sharply, suggesting that the Bank of England's view of respectability is worthy of respect.

In the latest bulletin published last Thursday, the central bank remarked that interest rates "might have to stay high longer than had been

hoped." The City interpreted this as a warning that base rates are likely to remain at 14 per cent well into next year.

On the following day prices of short sterling futures fell on Liffe. The pound's performance on the foreign exchanges was not a particular concern. It weakened against the dollar, but so did all the main trading currencies. The weakening of short sterling was largely the result of comments by the Bank of England on interest rates.

It is unheard of for the near-dated futures contract to be overtaken in market volume with a month to run to delivery. By the end of last week, however, the December contract was trading three-times the volume of September.

August is not usually a time of hectic activity in financial markets this year, so no exception, but even by the present standards turnover of only about 8,000 lots in September on Friday must be

telling us something.

It is saying that the market has completely given up any idea that bank base rates will be cut by delivery of the contract in mid-September. The closing price of 86.25 was equivalent to a cash interest rate of 13.4 per cent for three-month money. Three-month interbank at the time was offered at 13.8 per cent on the money market.

Assuming no economic disasters over the next month, it is not unreasonable to suppose that the London interbank offered rate will be 13 per cent by mid-September, but probably not any lower.

December short sterling futures are much more active because dealers are more willing to speculate that interest rates will be cut by the end of the year. Friday's December close of 86.30 virtually discounts interest rates of 13 per cent at delivery.

Optimism on rates tends to be more subjective than objective.

Colin Millham

CURRENCY MOVEMENTS

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CURRENCY SPOT

CURRENCY FORWARD

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CURRENCY FUTURES

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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The Business Column

Strategy is ability to admit you are wrong

It is not enough for companies to devise plans and strategies. They also have to implement them.

And what is implementation? Mr Henry Mintzberg, professor of management at McGill University in Montreal, says that "implementation means dropping a solution into the laps of people informed enough to know it won't work but restricted from telling anyone in power what can." Yet senior managers continue to formulate strategies and order them from consultants. Strategy, after all, has been central to the success of Japanese industry.

A Boston Consulting Group report on how Japan replaced Britain as a supplier of motor cycles to the US described Honda's strategy of focusing initially on the sale of small bikes to middle-class consumers.

"Very clever, those Japanese," Mintzberg observes in a new collection of his writings and speeches.² In fact, Honda had no strategy at all, except to see if it could sell motor cycles in the US.

The company began its effort in the US just as the motor cycle season was ending. Eventually they sold a few larger bikes, which promptly broke down. Faced with a collapse of sales, Honda tried selling the small bikes which were such a success in Japan. Americans loved them. So much for the carefully devised strategy which destroyed the British motor cycle industry.

Prepared to listen

Richard Pascale, an expert on Japanese management and the man who found in the truth about Honda in the US, says that the company's "success was achieved by senior managers human enough not to take their initial strategic positions too seriously."

Honda's senior management were prepared to accept that they had been wrong. Hands up any British employees who can remember the last time their senior managers admitted they were wrong.

Honda's executives were also prepared to listen to the employees who were closest to the US market. British managers would argue that they, too, have done a lot to improve their communications with their employees. Team briefings, company newspapers and videos to explain new developments (and corporate strategy) are now commonplace. All these communications devices have one thing in common: they enable managers to talk to employees. They do not allow employees to talk to management.

Yet it is the employees who have to put management's plans into practice. It is the employees who know most about the production process and the preferences of the customers. They run the company's equipment and sell and service its products.

There are UK companies which make strenuous efforts to use their employees' intelligence and experience. The vast majority of British executives, however, are as keen on listening to their employees as they are on surrendering the keys to the company Jaguar. The idea that their subordinates might know more about aspects of the business than they do is, to many managers, simply laughable.

Even companies which in theory welcome market intelligence from employees often put obstacles in the way of those who try to provide it.

On a recent trip to Cambridge, one UK employee noticed that his company's competitors had achieved great success with their products. He asked a few questions, described his company's product and was assured that it would sell equally well. Arriving back in the office filled with enthusiasm, he made a direct phone call to the director responsible. The director's secretary demanded to know what he wanted. He explained. She went off to speak to her boss. "He says to put it in a memo," she said on her return.

As Mintzberg argues, we build our organisations so that they cannot learn. "The formulators lack the information, the implementers lack the power," he says.

Michael Skapinker

²Mintzberg on Management. The Free Press. £19.95

Philippe Starck has the telltale stubby chin and slurred speech of someone who has not slept too well. The day before he had flown to New York in the morning and back to Paris at night. Now he is slumped in a corner of one of Paris's most stylish cafés and struggling to stay awake.

The café is Café Costes. Everything in it, from the three-legged chairs to the waterfall washbasins, was designed by Starck. He is one of the world's most successful industrial designers, whose work encompasses computers for Commodore and luggage for Louis Vuitton.

Starck is a beneficiary of the culture of conspicuous consumption that has characterised the world's consumer markets in the 1980s. He is one of that elite group of designers who, by lending their names to a product, can instantly increase its value.

At 40, he still sports the motorcycle leathers and cork-screw curls that earned him the epithet of the *enfant terrible* of French design. Yet his client list reads like a roll call of the world's most powerful consumer goods groups from L'Oréal in France, to Nestlé in Switzerland.

Everything about Starck, the unshaven chin and the unkempt curls, seems contrived to cultivate the image of a wayward artisan. He tells tall tales of his adventures and proounds his philosophy. Like the protagonist of *Playboy of the Western World*, the play by John Millington Synge, he seems to live his life through the myths he has invented for himself.

"I am not an architect. I am not a designer," he says. "I am an adventurer. I am somebody with very strong opinions, who expresses them through architecture and design."

Starck was born in Paris, the son of an aircraft designer. "I grew up with the idea that creation was the only way to live and work," he says. After school he attended design college, but left, at the age of 18, without completing the course. In the 1970s he hung out on the fringes of the Paris design world. For a while he worked with Pierre Cardin, the fashion designer. "Most of the time I stayed in my apartment doing nothing," he says. "I had the life of a hippy *de luxe*."

His only important projects were to design two of Paris' most fashionable – and infamous – nightclubs. The clubs caused such a sensation that, by the end of the decade,

THE MONDAY INTERVIEW

Artisan with a taste for myth

Philippe Starck, the enfant terrible of French design, talks to Alice Rawsthorn

Starck had made his name as one of the leading lights of *avant-garde* French design.

In 1982 he was asked by President Mitterrand to renovate three rooms in his apartment at the Elysée Palace. The French press caught the scent of a scandal and flung it into the fray.

"I was the bad boy of architecture," recalls Starck. "I was the nightclub designer who hung around with Hell's Angels in a motorcycle gang. Nobody could believe that the president of France had become involved with a man like me. It was very, very scandalous."

Since then, Starck's career has never looked back. A year after the furore over the Elysée

PERSONAL FILE

1949 Born, Paris

1967 Left design school without graduating.

1982 Designed apartment for President Mitterrand at the Elysée Palace

1983 Opening of Café Costes in Paris.

1988 Opening of Royalton Hotel in New York.

came the opening of Café Costes. It was an instant success. Starck was besieged with offers of new projects.

When Steve Rubell, the New York nightclub owner, saw an article on Café Costes, he commissioned Starck to redesign the Royalton, a dilapidated hotel he had bought in Manhattan. The renovation of the Royalton cost \$1m. Since its reopening last autumn the interior has been splashed across glossy magazines all over the world.

Before Rubell's death last month, Starck was designing another hotel for him. He is working on two televisions – one for a Japanese manufacturer,

the other for a European

– and a boat for Beneteau in France. He is also planning a second Café Costes in Paris and a new town outside Tokyo.

His designs tend to be deceptively simple. "I do not like superficiality. It is not in my nature. My designs are like my name – Starck," he says. But everything he does – the three-legged chairs are typical – has a twist of wit.

Ostensibly the design of the Royalton, with its opulent colours and shiny surfaces, evokes the luxury of life aboard the ocean liners of the 1930s. But Starck also sees the hotel as a metaphor for Manhattan and its history as an island of immigrants. The walls are lined with wood, an emblem of the ships that brought the immigrants to the island. The carpets are bordered by snakes, a symbol of the ethnic communities which fill the city.

In the design world of the 1980s, which has become as disillusioned with the slapstick symbolism of post-modernism as by the monotony of the old modernist style, Starck's style is nothing if not refreshing.

He is one of the very few successful designers who is still lionised in his own industry. Year after year he is invited to the Milan Furniture Fair, the annual showcase for European design. He says he hates it. But he still visits the fair.

His work almost always attracts controversy. "I receive many, many letters," he says. "Others say 'my work is good. Others say 'Starck, you are full of bullshit.' I would rather that people hated my work than that they did not react to it."

For the past five years he has worked from his home, a Louis XIV house outside Paris. "I live and work in the forest," he says. "I work, work, work all the time in my head. That

is why I need to be quiet in the forest, with my tribe. I hate to be in the city."

The "tribe" is the team of six designers – "all friends" – who work with Starck on his projects. There are two more in Tokyo and one in New York. Brigitte, his wife, who is a lawyer, runs the business.

Starck is hopelessly disorganized. At the beginning of each day Brigitte gives him a long list of things to do. He roars around Paris on his Harley Davidson. Sporting a motorcycle clutching the list of what he knows he has to see.

He has no interest in finance. He rolls his eyes in horror when asked about mundane matters like income or profitability. Ten years ago he nearly went bankrupt when he tried to produce his own line of furniture. Now he works as a freelancer.

Starck flies from country to country inspecting his different projects. One day will be spent at an Italian furniture factory. The next day he will be back in Paris, putting the finishing touches to the house he is designing for a private client.

Wherever he is, he works on ideas for new projects. Once,

he says, he designed a chair in

the time that it took for the

seabelt signs to go on and off

in an airplane. "My work is a

sickness," he says. "But I can

not be without it."

A few years ago he tried to reorganise his lifestyle by buying houses in different cities. But that did not work out. Instead he has installed motor bikes – almost all Harley Davidsons – in the five cities where he spends most of his time. "I arrive with my helmet and my key," he says. "I pick up my bike and then I can live like I live in Paris."

For the past five years he

has worked from his home, a

Louis XIV house outside Paris.

"I live and work in the forest,"

he says. "I work, work, work

all the time in my head. That

is riddled with contradictions.



"Everybody should have access to good products"

He espoused the aesthetic ideals of the Bauhaus, insisting that good design should be available to everyone, not just to an élite. "I cannot imagine working only for the rich," he says. "Everybody should have access to good products. The way to work is to get the best and give it to everyone. I call it 'democratic high fashion'."

He offers the broadest range of furniture that he designs for the Trois Suisses mail order catalogue in France as one of his favourite projects. Yet most of the things he designs are so expensive that only the very wealthy can afford them.

Starck still wears the same jeans he favoured as a young designer. But his lifestyle is lavish. He is building a brand new home, with a helipad, on a plot of land next to his Louis XIV house. Recently he bought an oyster farm – "my new game" – on the French coast.

One of the reasons why he works as a freelancer is that he always "mischief, quirky, people asking for things." He plans to concentrate on product design and architecture, while reducing his involvement in areas like interior design.

"Interior have become boring," he says. "At the moment we are busy, too busy. There are always 'mischief, quirky, people asking for things.' He is not the only one who is doing this. Yet he works with many of the world's most powerful multinationals.

He is unaffected by the contradictions. "I struggle and struggle but I have to accept society for what it is," he says.

"My work is for everyone: not only for the poor, or for the rich. I use the ideas from my designs for the President, in my range for the mail order catalogue."

In the future Starck intends to be stricter with his time. "We need to make less," he says. "At the moment we are always 'mischief, quirky, people asking for things.' He plans to concentrate on product design and architecture, while reducing his involvement in areas like interior design.

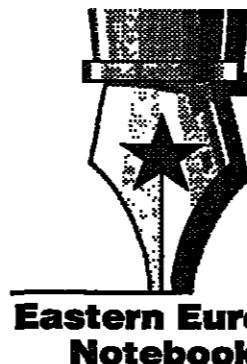
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"My work is for everyone: not only for the poor, or for the rich.

It is time for me to move on."

Polish power slipping through many hands



Eastern Europe Notebook

have now declared an end to collaboration with the Communists. Mr Malmowski, soon to retire, is probably unable to rid himself of habits of deference, but his younger colleagues have yet to show themselves able to learn the habits of competitive politics.

Mr Jerzy Juzyk, the Democrat's President, does not have a divided party and does have a livelier sense of the potential of his new position. The Democrats have provided a hope for the non-Communist intelligentsia and sought to express the right of the small producer. They have produced legislative blueprints for economic liberalisation, which have been taken up by the PUWP. They are presently preparing a draft constitution which will, among other innovations, excise the Communists' leading role. But he, more forthrightly than Mr Malmowski, accepts that 40 years of acquiescence taints his party's efforts to spruce itself up for pluralism.

The underlying problem both have is the total artificiality of their post-war existence. The Communists had at least a theory of rule: they exercised power because history had decreed it. But the Peasants and Democrats had neither history nor votes, only a desire, decent enough at one level, to moderate the excesses of a regime whose inevitability they accepted.

That regime still, perhaps, has a friend in Moscow. On Friday night, Mr Vadim Perelyev, deputy chief spokesman for the Soviet Foreign Ministry, issued a warning broadcast on Polish television, that the Solidarity attempt to form a government was "unfavourable to the balance of power in Europe." But what is this backed by? A military threat? Economic sanctions?

Ultimately both are possible. But that would be the end of reform, not just for Poland, but for the Soviet Union. The lesson Poland currently teaches, to itself and to the world, is that Communism is a total system. It exists as a monopoly over the economy, civil society and ideology, once these monopolies are breached, it cannot exist in diluted form. If the slippery substance which is political power in Poland is to avoid capture by a new set of totalitarians, the inexperienced, paralysed or fearful democrats of Poland have a task ahead of them which they have not yet begun.

Mr Roman Malinowski, the Peasant Party president, likes to talk of his party's 90-year-old traditions, and its role in stopping Communist collectivisation. He insisted that his party had always been non-Marxist, for democracy and for the market. On his bookshelves, the works of Lenin – just like any senior PUWP functionary. Behind him, forty years in which his party had been first broken, its non-collaborationist elements scattered or repressed and it given a token position. Beneath him, his deputies rebel; having been cajoled into supporting Gen Kiszczak as Prime Minister, they have changed their minds in the face of the Walesa offer and

Growing Figures

At Home & Abroad

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